



NAMC

Promoting market access for South African agriculture

Agri-Trust

digest

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In this issue we cover the following topics:

- 1. The contribution of the industry trusts to transformation: The progress thus far***
- 2. The activities of the NAMC's Agricultural Industry Trusts Division***
- 3. The governance of the trusts***

Visit the NAMC Agri- Trusts Portal at: <http://www.namc.co.za/services/agricultural-trusts/>



AGRI-TRUST DIGEST

Agri-Trust Digest is a bimonthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate developments as they happen around the different agricultural trusts. The focus of this issue is on four topics: (i) The contribution of the industry trusts to transformation: The progress thus far; (ii) The activities of the NAMC's Agricultural Industry Trusts Division; and (iii) The governance of the trusts. The Division has three digests which cover the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), agricultural transformation, and agricultural industry trusts. Agri-Trust Digest reports on key developments coming from the operation of the different industry trusts.

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1. THE CONTRIBUTION OF THE INDUSTRY TRUSTS TO TRANSFORMATION: THE PROGRESS THUS FAR

by
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1.1. Introduction

The agricultural industry trusts were established as institutions during the deregulation process, which happened in the 1990s. Over the years, these trusts have played a crucial role in developing previously disadvantaged farmers to be able to meaningfully contribute to the mainstream South African economy.

The support provided by the industry is through the interest generated on the investments made through the inherited assets from the former control boards, as well as rental incomes. After the deregulation process, most of the industry trusts managed to grow their investment portfolios from R677 million to over R2.4 billion. The activities funded through the trusts include, but are not limited to, research and development, bursaries, transformation and market development and access, to mention a few.

It has been a consensus that industry trusts can serve as key vehicles to drive transformation in the agricultural sector, and recently there was concern from the then Minister of Agriculture, Forestry and Fisheries that “it seems as if training and bursaries [are] equated as transformation with less emphasis on real enterprise development”.

Although industries differ, it is my opinion that real enterprise development includes, but is not limited to, the procurement of production infrastructure, material and input supply, funding of soil preparation activities, accreditation, unlocking of potential markets and bio-security measures, to mention a few. The Minister of Agriculture, Land Reform and Rural Development, the Honourable Ms Thoko Didiza, stressed in her budget speech of 2019 that “the resources that are there in the industry trusts play an important role in developing new entrants into agriculture. More can be done to ensure that these trusts play an important role in the

transformation and the development of the agricultural sector.”

This article provides a snapshot of the contribution of the trusts to transformation thus far.

1.2. The trusts’ contribution to the development of developing farmers in the provinces of South Africa: The status thus far¹

Grain trusts: The grain trusts (Maize, Sorghum, Winter Cereals, and Oil and Protein Seeds) adopted the Grain Farmer Development Association (GFADA) as the main vehicle to drive transformation for the four grain trusts. The activities that are being funded by the grain trusts through the GFADA include soil correction, crop insurance, production inputs and mentorship.

Over 44 smallholder farmers in the provinces of Gauteng, Mpumalanga, Eastern Cape, Free State, North West, KwaZulu-Natal and Western Cape were supported in the previous financial year. About R38,2 million was spent by the grain trusts to fulfil the transformation activities relating to the smallholder farmers.

Horticultural trusts: The horticultural trusts consist of the Deciduous Fruit Industry Development Trust (DFIDT), the Citrus Industry Trust (CIT) and the Potato Industry Development Trust (PIDT), which collectively spend over R7 million on transformation. The DFIDT and CIT mainly fund bursaries; however, the CIT Board of Trustees decided to put aside about R50 000 to fund five (5) business plans through the Citrus Growers’ Association Grower Development Company, which is an entity responsible for transformation in the citrus Industry.

The DFIDT currently funds bursaries worth over R0.3 million and the Trust is in the process of shifting its focus to the funding of enterprise development through the Deciduous Fruit Development Chamber, which is the entity responsible for transformation in the deciduous fruit industry.

¹ Some of these figures include bursary expenditure.

The PIDT, through the Potatoes South Africa (PSA) non-profit company (NPC), has made transformation one of their core businesses, and to date, over 21 farmers have benefited through the PSA enterprise development programme on interventions relating to seed procurement, mentorship, business plan development, pre-feasibility studies, market access and new farmer induction.

Furthermore, over 15 community projects have benefited through the small grower development programme, which is mainly aimed at food security, working in collaboration with the provincial departments of agriculture and other stakeholders. These two programmes contribute over 1 000 jobs to communities in the provinces of Limpopo, Eastern Cape, Free State, Gauteng, Mpumalanga and Western Cape, with an expenditure amounting to approximately R8 million.

Livestock trusts: The livestock trusts consist of the Mohair Trust, Wool Trust, Meat Industry Trust and National Lucerne Trust. The Mohair Trust currently funds the Mohair Empowerment Trust, which is responsible for driving transformation on behalf of the Trust. Currently, about seven mohair projects are supported in activities relating to the purchasing of quality angora goats, as well as the marketing and training of farmers in the areas of shearing, among other things. The main focus of the Mohair Empowerment Trust is to establish a sustainable, large-scale industry of black mohair producers. To date, over 2 790 angora goats have been distributed to the beneficiaries at the cost of approximately R2.8 million, creating over 40 on-farm employment opportunities.

The Wool Trust's transformation focus is on enterprise and skills development, with the main intervention being the distribution of quality rams, the provision of ongoing advice on wool production and skills transfer to emerging black communal farmers in the Zulukama area of Whittlesea, and the establishment of a veld ram club in Elliot. Total expenditure amounting to R11.7 million was utilised in the last financial year. These interventions are delivered collaboratively with

the provincial departments in the Eastern Cape and other provinces where the industry has footprints.

The main focus of the National Lucerne Trust is on enterprise development, training and skills development, with the goal being to facilitate sustainable growth and the development of smallholder farmers to grow and produce commercially in a sustainable way. The interventions are in terms of the provision of seed input and, going forward; the Trust plans to provide on-farm technical assistance and training to farmers through specialists and also expose them to market-related information.

Currently, 40 farmers are being supported and a total of about R60 000 has been utilised in the procurement of good-quality lucerne seed in the Taung area of the North West Province. Lastly, the Meat Industry Trust funds several bursaries and the Trust is in the process of finalising its enterprise development approach in order to fund farmers on the ground and make a meaningful contribution to the meat value chain.

The trusts' contribution to transformation over the past five years

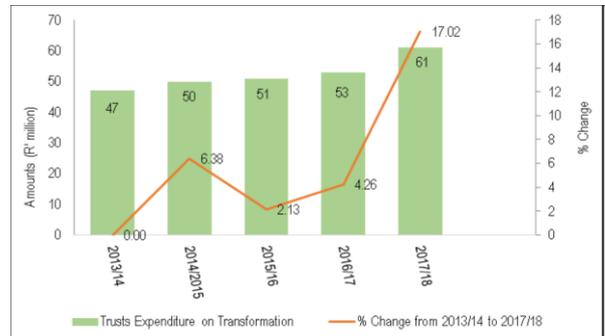


Figure 1: The trend of transformation contributions by the trusts for the period 2013-2018
Source: NAMC Status Report 2018 Survey

Figure 1 above presents the five-year contribution of the trusts to transformation in terms of real monetary expenditure and percentage changes. Between the 2013/14 and 2017/18 financial years, the trusts' transformation expenditure increased. During the 2017/18 financial year, the trusts collectively spent about R61.4 million on transformation (up from R53.3 million in 2016/17). This indicates an increase of approximately R8.1 million, year on year.

Given that the trusts are growth related and mandated to ensure that the assets remain evergreen, this

mandate has been fulfilled by almost all the trusts and they are still able to fund transformation interventions. The trusts are applauded for the great work done on the funding of black-owned farm enterprises.

1.3. Conclusion

The industry trusts play a crucial role in driving transformation in the agricultural sector. Furthermore, the move to establish transformation entities which are industry specific has yielded satisfactory results in terms of tracking the progress made with the development and support of smallholder farmers in South Africa. The collaboration between provincial governments and industry trusts remains the key factor in advancing transformation in the agricultural sector. Other government institutions and role players are encouraged to work together with the industry trusts in supporting developing farmers in South Africa.

2. THE ACTIVITIES OF THE NAMC'S AGRICULTURAL INDUSTRY TRUSTS DIVISION

by

Elekanyani Nekhavhambe

2.1. Introduction

The industry trusts are managed by boards of trustees, in which the Minister is represented. The ministerial trustees are entrusted with ensuring that the industry trusts carry out the objectives of the trust deeds, by aligning them to the government's transformation mandate. Noteworthy is that the National Agricultural Marketing Council (NAMC) does work closely with all the trusts and sits on their boards with observer status. This facilitates the NAMC's work when providing advisory services to the Minister of Agriculture on all work relating to the trusts. This article provides a snapshot of the activities of the NAMC's Agricultural Industry Trusts Division.

2.2. What does the Agri-Trusts Division do?

Appointment of ministerial trustees: The Agri-Trusts Division facilitates the appointment process of the ministerial trustees and recommends candidates to the Minister. Then appointed trustees have a legal obligation to represent the interests of the Minister of

Department of Agriculture, Land Reform and Rural Development within the trusts.

Capacity-building of ministerial trustees: Important to note is that, as and when required, the Division undertakes various activities to capacitate the ministerial trustees. This is necessary to ensure that both new and existing ministerial trustees understand the work they are doing while creating a better understanding between the NAMC and the different industry trusts.

These ministerial trustees are capacitated through training and workshops. Moreover, there is a continuous engagement between them and the NAMC to ensure effective support in the work of transformation. Through training and induction, ministerial trustees are able to understand their role and responsibilities within their respective boards of trustees.

Facilitation of workshops between the trusts and

the Minister: One of the activities of the NAMC is to ensure that engagement between all trusts and the Minister are organised on an annual basis. The purpose of this type of engagement is for the trusts to meet with the Minister and foster their much-needed relationship, underlining the interests of the government towards the work of transformation. Moreover, the trusts are able to share their thoughts with the Minister in terms of transformation work.

Compiling a status report on agricultural industry

trusts: The NAMC has designed a template whereby the ministerial trustees complete and report on areas of interventions to which the Minister has to pay attention. On an annual basis, the Division compiles a status report on all the trusts which report to the Minister regarding the operations, new developments and financial status of the respective trusts. This status report is subsequently sent to the Minister.

In addition, the senior manager of the agricultural industry trusts is the Chairperson of the NAMC Transformation Review Committee (TRC), which oversees the utilisation of the 20 % of statutory levy income spent on transformation. The same TRC engages in a Monitoring and Evaluation (M&E)

process on all the transformation projects funded by both the levies and the industry trust funds.

2.3. Conclusion

The Agricultural Industry Trusts Division of the NAMC has a good relationship with all the trusts, as well as all the industries collecting statutory levies. More work is expected to be done by all the trusts in terms of transformation, and a continuous working relationship is essential for the success of the transformation agenda.

3. THE GOVERNANCE OF THE TRUSTS

By Nomantande Yeki

3.1. Introduction

The industry trusts have a long history, having previously been known as control boards. The trusts are legal entities, meaning that their governance is through the trust deeds, which outline in detail the history, objectives, terms and activities of the trustees. The trusts are collectively valued at over R2.4 billion worth of assets.

The mandate given to the trusts was clear: to manage the assets, increase the assets, and use the proceeds to fund industry work. The importance of governance lies in the effort to increase the value of assets, improve transparency and efficiency, and minimise potential collusion among trustees.

To ensure that the trustees are familiar with the corporate governance policies such as King IV, the NAMC's Agricultural Industry Trusts Division facilitates training to capacitate trustees with the skills for their readiness on the boards of trustees.

3.2. Legislation governing the trusts

Currently, there are eleven (11) agricultural industry trusts operating under the auspices of the Trust Property Act (Act No. 57 of 1988) and the Marketing of Agricultural Products Act (Act No. 47 of 1996), which directly engage with the NAMC.

3.3. The boards of trustees

Each Trust is governed by a Board of Trustees (comprising ministerial and industry trustees). The governance is composed of eighty-one (81) trustees, of whom twenty-five (25) are ministerial and fifty-six (56)

are industry trustees. The ministerial trustees are specially delegated to ensure that government priorities are addressed in line with the objectives of the trust deeds.

Prioritising the Sustainable Development Goals is essential, particularly goal number five (5), which speaks to achieving gender equality and empowering women. Within the twenty-five (25) ministerial trustees, there are ten (10) women representatives.

With regard to the leadership role played within the Board of Trustees of the Potato Industry Development Trust, since its establishment in 2004, the trustees have elected the same Chairperson who is an industry representative. The Oil and Protein Seeds Development Trust, the National Lucerne Trust, the Mohair Trust and the Wool Trust have never been chaired by a ministerial trustee.

It is noteworthy that since the establishment of the Citrus Industry Trust, the Deciduous Fruit Industry Development Trust, the Maize Trust and the Meat Industry Trust, the position of Chairperson has interchanged between industry and ministerial trustees. The status quo has recently changed in the Winter Cereals Trust – it was chaired by industry trustees from 1997 to 2015, and it was only in 2015 when a ministerial trustee took over as Chairperson of the Trust.

Lastly, out of the eleven (11) trusts, only five (5) of the trusts (Citrus, Winter Cereals, Deciduous Fruit, Maize and Meat Industry trusts) have equal numbers of representation on their boards of trustees. However, the same cannot be said for the other six (6) trusts, namely the Mohair, Wool, Lucerne, Sorghum, Oilseeds and Potato industry trusts.

3.4. Conclusion

The eleven (11) trusts are governed by eighty-one (81) representatives from both the industry and the office of the Minister. It can be concluded that the trusts' efforts to increase the value of their assets are visible. However, transformation within the boards of trustees can be improved.

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