



# NAMC

Promoting market access for South African agriculture

# Agri-Trust

## digest

Issue No. 11

*In this issue we cover the following topics:*

- 1. The feasibility of matching rand for rand between industry trusts and government to finance industry transformation work;**
- 2. Highlights of the engagement between the NAMC and industry trusts; and**
- 3. How can industry trusts embrace technology during the COVID-19 pandemic?**

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 two topics in the grain industry: (i) The feasibility of matching rand for rand between industry trusts and government to finance industry transformation work; (ii) Highlights of the engagement between the NAMC and industry trusts; and (iii) How can industry trusts embrace technology during the COVID-19 pandemic? 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 FEASIBILITY OF MATCHING RAND FOR RAND BETWEEN INDUSTRY TRUSTS AND GOVERNMENT TO FINANCE INDUSTRY TRANSFORMATION WORK**

By

Mr Matsobane (BM) Mpyana

## **1.1. Introduction**

The success of any intervention in the agricultural sector depends on support and collaboration amongst different stakeholders partaking in that industry or related industries. Such collaboration includes both public and private sectors in the industry that are involved to ensure that farmers succeed in addressing government priorities such as food security, employment creation and the reduction of inequalities, to mention a few. A common challenge of the agricultural sector has been narrowing or rather closing the disparities that exist between the smallholder (predominately black) and commercial (predominately white) farming sectors.

Although the industry trusts have done a tremendous job on transformation through the financing of smallholder farming enterprises, financing sectoral transformation as a collective has been a critical challenge, and this may be resolved through collaboration between government and the respective industry bodies, including industry trusts. This article, therefore, argues the feasibility of government matching rand for rand with the agricultural trusts to finance industry transformation work.

## **1.2. Current status quo**

There are currently 11 industry trusts, namely the Maize Trust, Sorghum Trust, Winter Cereals Trust, Oil and Protein Seeds Development Trust, Meat Industry Trust, Mohair Trust, Wool Trust, National Lucerne Trust, Citrus Industry Trust, Deciduous Industry Development Trust, and Potato Industry Development Trust. These 11 industry trusts are collectively worth over R2.3 billion in assets (both fixed and monetary value) and mainly finance transformation interventions aimed at advancing farm enterprise development, while at the same time enhancing skills development through training and funding student bursaries. These interventions in the industries, such as grain, winter cereals, oilseeds, potatoes, wool and mohair, to mention a few, have

yielded success stories in the areas of enterprise development, with several of the farmers in these industries having managed to graduate from smallholder to commercial ranks. Should the government strengthen its relationship with industries, a reasonable number of smallholder farmers can graduate to commercial farming.

It can be argued that the current status quo in terms of financing the agricultural sector is through the levies (spending about R116 million in a year) and trust funds (R60 million in a year).

## **1.3. Benefits of matching rand for rand in financing the agricultural sector**

As was outlined briefly in the introductory phase of this article, this approach has the potential to unlock opportunities in speeding up transformation in the sector. The benefits of this approach may, amongst other things, include (i) Upraising the public-private partnerships (PPPs); (ii) Yielding a better return on investment (ROI), which would then contribute positively to economic growth and agricultural development; and most importantly, (iii) Addressing duplication of effort and work towards the optimisation of the existing resources. This approach is likely to concretise the fact that funding instruments for the agricultural industries, mainly trusts and levies, are key drivers of transformation in the farming sector.

Strategically, in the initial phase, the government – particularly those portfolios responsible for agriculture, land reform and rural development – could explore and consider effective ways to implement this approach one way or the other, by including this approach in their governmental plans and budgetary lines. Again, there are several interventions funded by the government, such as the Comprehensive Agricultural Support Programme, Illima/Letsema and AGRIBEE, which are aimed at supporting farming enterprises that could be enablers to speed up transformation and bring numerous smallholder farming enterprises to the commercial ranks. Furthermore, this approach may be on a 50/50 model, and the projects identified should be those of high potential to create jobs and ultimately address food insecurity, especially at the local level.

#### 1.4. Conclusion

The current system of financing the agricultural sector through levies and trust funds plays a pivotal role in ensuring the profitability and sustainability of the sector. The approach of funding the industry through PPPs has been one of the key strategic discussions in the engagements amongst government and the industries. This approach can only be successful if the stakeholders in the sector can come together and ensure that this dream becomes a reality. It is always the case that a country that cannot work together in addressing farmer challenges surely cannot have pride.

## 2. HIGHLIGHTS OF THE ENGAGEMENT BETWEEN THE NATIONAL AGRICULTURAL MARKETING COUNCIL AND AGRICULTURAL INDUSTRY TRUSTS

By

Ms Nomantande Yeki

#### 2.1. Introduction

A shared understanding is vital in building a cohesive vision for the future. To this end, the NAMC hosts an annual engagement with the agricultural industry trusts, which is a platform where all the industry trusts gather together to discuss the challenges encountered and successes achieved during the year. Key stakeholder opinions and insights are incredibly valuable in maintaining the trusts' evergreen status, and such platforms promote the exchange of information.

#### 2.2. Discussions on pertinent industry issues

This year's engagement was held on 11 March 2020 in Johannesburg and it was attended by various stakeholder organisations from the Department of Agriculture, Land Reform and Rural Development (DALRRD), the NAMC, Onderstepoort Biological Products (OBP), the Agricultural Research Council (ARC) and industry trusts. The industry trust administrators and industry transformation managers delivered presentations which covered the performance of the trusts' investments (growth or decline in the assets) and outlined the challenges and successes with regard to transformation and administrative matters.

Important to highlight is that due to the recent economic turmoil, the trusts' assets have declined from R2.4 billion in 2019 to R2.3 billion in 2020. Among the common challenges recorded from this engagement were the delays in the registration of trustees with the Master of the High Court, and how transformation-fund beneficiaries who are leasing land are restricted in terms of support.

It was also noted that success could be accelerated if more trusts could develop transformation vehicles like GFADA and the Mohair Empowerment Trust in implementing transformation functions on behalf of the member trusts. Furthermore, there is consensus that industry trusts are key vehicles in transforming the agricultural industry in South Africa. This view is substantiated by the trusts' annual expenditure of over R60 million, which is spent on transformation initiatives. This led to a proposal for government to match the industry trusts' transformation budget on a rand-for-rand basis. This initiative has the potential to accelerate transformation in the agricultural industry and will likely promote public-private partnerships (PPPs).

#### 2.3. Conclusion

In conclusion, a way forward was derived, and the NAMC Council committed to providing feedback to the Minister of Agriculture, Land Reform and Rural Development on the engagement with the trusts (challenges and solutions), and to proposing a rand-for-rand approach between the Department and industry trusts.

## 3. HOW CAN INDUSTRY TRUSTS EMBRACE TECHNOLOGY DURING THE COVID-19 PANDEMIC?

By

Mr Elekanyani Nekhavhambe

#### 3.1. Introduction

Since the declaration of COVID-19 as a pandemic, there is no doubt that the livelihood strategies of most

societies could change worldwide. It is now that most organisations, including the industry trusts, have to change how everyday business is conducted. The global food production, distribution and trade systems have been affected due to most countries implementing lockdown as a policy measure to minimise the spread of the pandemic. However, South Africa is learning from other countries and is gradually lifting the level of economic lockdown restrictions, with risk and adjustment measures, so that the country's economic activities can resume.

Fortunately, in most sectors of the economy, the world was already on its way to transforming from a traditional way of doing things to the Fourth Industrial Revolution approach. The purpose of this article is to digest how the agricultural industry trusts can embrace the use of technology during the COVID-19 pandemic.

### **3.2. How can industry trusts embrace technology?**

Several organised structures in both the public and private sectors are continuing with their employment duties, regardless of the lockdown. Technology is giving its best benefits to the entire world population, as a means to conduct everyday business. The use of virtual apps is becoming the new normal. Business organisations and structures are now convening meetings through apps and platforms such as Zoom, WhatsApp and Microsoft Teams, to mention a few. Other structures are doing their best to communicate with their stakeholders on matters of critical importance using Facebook, YouTube, television, and community radio stations. This is an indication of the world transformation from the traditional ways of doing certain

business activities, to the Fourth Industrial Revolution era.

### **3.3. What are the possible benefits of technology to industry trusts?**

In the time of COVID-19, industry trusts can enjoy the benefits of technology by conducting their professional meetings virtually. By doing so, the cost of holding physical meetings, booking venues to host meetings, travelling, accommodation and subsistence claims by trustees are minimised. Although technology brings a wide range of benefits, the risks associated with it cannot be ignored. Such risks may include the confidential industry information being vulnerable to cybercrimes acts, and high data usage, which may ultimately dig deeper into the industry finances.

### **2.4. Conclusion**

Technology is ever changing, and organised business structures such as industry trusts need to keep up, or the natural selection process will force them out. The use of technology to conduct business during the COVID-19 pandemic is one way to help curb the spread of the virus.

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