



# Transformation Digest

Issue No.: 12

*In this issue we cover the following topics:*

1. History of the establishment of the NAMC's guidelines on transformation
2. Outlook on the agricultural industry trusts' transformation expenditure
3. Does inclusivity really matter in developing and growing the agricultural sector? An opinion article published on Mzansi AgriTalk

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

## **AGRI-TRANSFORMATION DIGEST**

*Agri-Transformation Digest* is a bi-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 the following topics: (i) History of the establishment of the NAMC's guidelines on transformation; (ii) Outlook on the agricultural industry trusts' transformation expenditure; and (iii) Does inclusivity really matter in developing and growing the agricultural sector? An opinion article published on Mzansi AgriTalk. The division has three digests, covering the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), Agricultural Transformation, and Agricultural Industry Trusts. *Agri-Transformation Digest* reports on the bi-monthly key developments coming from the transformation activities of different industries and trusts.

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# 1. HISTORY OF THE ESTABLISHMENT OF THE NAMC's GUIDELINES ON TRANSFORMATION

By  
Elekanyani Nekhavhambe

## 1.1. Introduction

South African agriculture has a dual racially-biased feature with both well-developed commercial farming and more subsistence-based black-owned farming. The Marketing of Agricultural Products (MAP) Act (Act No. 47 of 1996) provides for certain statutory measures including levies, registrations, and records and returns on agricultural products. These statutory measures are applicable to the industries within the sector, and meet all the conditions of approval by the Minister of Agriculture, Land Reform and Rural Development, of which the NAMC facilitates the approval process.

One of the conditions of approval is that approximately 20 % of the total annual levy collected by an industry should be spent on transformation activities. At present, certain statutory measures are applicable to the eighteen (18) commodity industries. Against this backdrop, the purpose of this article is to reflect on the NAMC's guidelines on transformation, established to guide the transformation expenditure by these industries.

## 1.2. Historical background to the NAMC's guidelines on transformation

The first NAMC transformation guidelines were established in 2014 and were informed by the AgriBEE sector codes of 20 March 2008. The administrators of the statutory measures were consulted prior to the guideline implementation. By that time, an industry was required to spend at least 50 % of the total 20 % transformation budget on enterprise development – the proxy pillar of transformation. The primary purpose of this guideline was to create a uniform guide on how best the 20 % statutory levy money could be utilised.

On 8 December 2017, the newly amended AgriBEE sector codes, displaying five (5) pillars, were gazetted. The NAMC amended its transformation guidelines to be aligned with the amended AgriBEE sector codes. The workshop between the NAMC, Department of Agriculture, Land Reform and Rural Development, and administrators of the statutory measures, held on 10 April 2018, presented an opportunity for industries to make inputs into the amended guidelines.

## 1.3. What is the key pillar of transformation as per the guidelines?

Figure 1 presents the key pillars of transformation that are key in transforming the South African agricultural sector, supported by industries collecting statutory levies. As per the guidelines, more weight of the budget allocation is given to enterprise development activities (60 %) such as the provision of farming inputs, infrastructure and equipment, assisting farmers with market access, bankable business plans and accreditation such as export certificates. Approximately 18 % is supposed to be spent on skills development activities such as the training of farmers, mentorship and provision of extension services. Moreover, 17 % should be allocated to management control and ownership, which in most industries' funds constitutes the salary of the transformation manager, and 5 % is spent on socio-economic development.

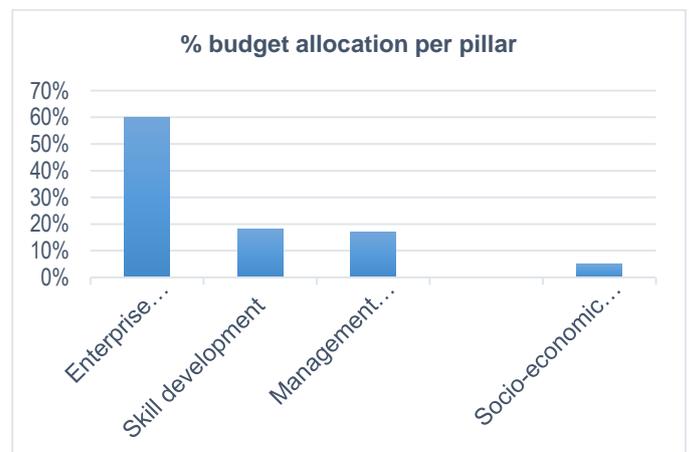


Figure 1: Percentage allocation per pillar as per the NAMC's guidelines on transformation

It is noteworthy that the activities under all pillars vary according to the needs of the respective industries. Moreover, the benefits of this transformation guideline have been visible since the guidelines were initiated in 2014. It is highly commendable that industries are following this guideline and their transformation initiatives are having a fruitful impact on the South African agricultural sector.

#### 1.4. Mandatory activities included in the guidelines

The guidelines outline mandatory activities in order to track the work done by the industries with regard to transformation, as guided by the NAMC's transformation guidelines. Levy administrators shall compile their annual business plans with key measurable outcomes for transformation. Furthermore, at the end of each financial year, levy administrators shall report to the NAMC on the actual transformation activities by comparing their actual activities with the budget for that financial year. On an annual basis, the NAMC randomly conducts site visits as part of the monitoring and evaluation processes.

#### 1.5. Conclusion

The most critical question is: "Was there a need for the establishment of transformation guidelines?" It can be concluded that the established transformation guidelines have been useful. The guidelines present a uniform structure for the approach of the transformation funding model by the statutory levy income. The administrators of the statutory measures appreciate these guidelines and the impact of the statutory levy income on transformation. Moreover, the agricultural industry trusts acknowledge and are adopting the same guidelines in their transformation projects funded through the trust funds.

## 2. OUTLOOK ON THE AGRICULTURAL INDUSTRY TRUSTS' TRANSFORMATION EXPENDITURE

By  
Nomantande Yeki

### 2.1. Introduction

Transformation within the agricultural sector requires multiple parallel advancements. However, this article considers the transformation funds spent by the agricultural industry trusts in their effort to help transform the agricultural sector. The article gives an outlook on the funds collectively spent by the trusts over the five-year financial period of 2014/2015 to 2018/2019.

### 2.2. How much has been spent over the past five years?

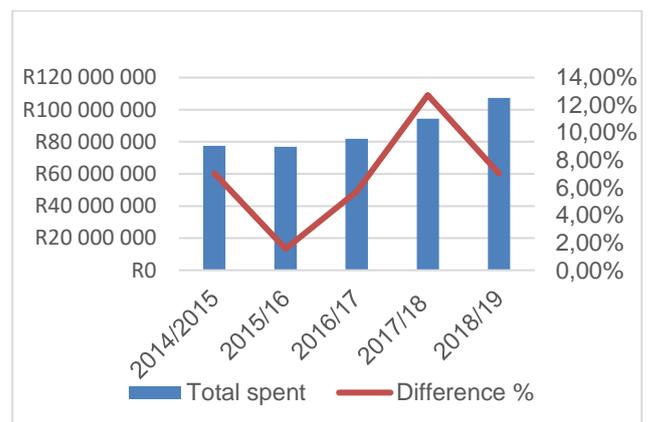


Figure 2: Five-year transformation expenditure outlook

Looking at the transformation expenditure data (Figure 2) of the 11 trusts, it is important to highlight that over the past five years. The trusts collectively spent approximately R437,8 million on transformation. The areas funded were mainly focused on enterprise development and skills development. Progressive growth has been witnessed in terms of funds being channelled for transformation, and the impact has been incredible. In the 2014/2015 financial year, about R77,4 million was channelled for transformation and four years later, in the 2018/19 financial year, about R107,3

million was allocated for transformation initiatives, which shows a 38,5 % growth between these two years. Throughout the five years on average, a 6,8 % increase was allocated for transformation; however, in 2017/18, a significant increase was experienced with a 12,73 % hike in the total expenditure. Given this data, one can conclude that these 11 trusts have had a major impact in transforming the sector.

### **2.3. Conclusion**

Effective change agents that can advance transformation exist in both the public and private sectors. While that is the case, a closer look at the data presented shows that over the past five years, the 11 trusts have spent about R437,8 million in transforming the sector. More equitable economic development can be achieved with greater co-ordination and effort from the government and private sector.

### **3. DOES INCLUSIVITY REALLY MATTER IN DEVELOPING AND GROWING THE AGRICULTURAL SECTOR? AN OPINION ARTICLE PUBLISHED ON MZANSI AGRITALK**

**By  
Matsobane (BM) Mpyana**

For years, the South African agricultural sector has been classified as dualistic in nature. This duality is remnant of historic segregative laws that divided the commercial (predominantly white) farmers and smallholder/communal (predominantly black) farmers. It has been over 25 years since South Africa's transition into democracy, and the key question is: "What has been the progress in achieving inclusive growth in the sector?"

The developing world partnerships have identified agribusinesses as the key enablers for the stimulation of market access, which would bring about the commercialisation of smallholder agricultural producers. Although business cases as outlined through partnerships generally stand, the

inclusiveness aspect often lags behind in practical terms due to the uncertainties in establishing trustworthy partnerships. This situation has resulted in power imbalances amongst the various partners entrusted to enhance inclusivity in the sector.

A structural change in the agricultural sector should embrace inclusivity in production and also ownership as a means to enjoy the wide range of benefits of a transformed agricultural sector. The enablers such as finance, production assets (i.e. land, water and infrastructure), skills, research and innovation cannot be excluded in order to achieve inclusivity in the agricultural sector. For all these benefits to happen, the willingness and participation of all players in the agricultural sector value chain becomes crucial.

There are claims that there are good inclusive farm business transaction models between commercial and smallholder farmers being implemented in the agricultural sector. However, it can be argued that even if there are farm business models that exist between commercial and smallholder farmers, these have not yielded satisfactory results – the reason being that these approaches were as a result of partnerships that are partially led by the government's transformation policies to address the binary character of the sector. The status quo is that about 72 % of the land is in the hands of the commercial sector, whereas only 28 % is in the hands of the smallholder farmers, and even the bulk of that 28 % is owned by the government, and smallholder farmers don't always have access to state land. There is a high level of participation in the value chain by the commercial sector compared to the smallholder sector – a fact that has constrained smallholder farmers and agribusinesses from participating meaningfully in commercial value chains. The effects of the apartheid regime remain visible even after 25 years of democracy. The government actively promotes inclusivity in all sectors of the economy, including the agricultural sector, with a strategic objective to ensure that transformation is attained for the betterment of all farmers and agribusinesses.

It can be outlined that an inclusive agricultural sector is one where the government works together with its partners, including farmers and rural communities; a well-financed and developed segment that engages in large scale production activities supplying modern high-value domestic and export markets, including regional markets; a sector that promotes transparent partnerships, mentorships and farmworker equity as instruments for redistributing land, assets and profits to previously marginalised groups and to build skills among these people. All these benefits shall contribute to an inclusive agricultural sector that is able to create jobs, promote equal and sustainable participation, and attract both local and international investment.

In conclusion, based on the arguments outlined in this article, one would agree that indeed inclusivity really does matter in enforcing growth and development in the agricultural sector. This calls for real structural changes in the agricultural sector so as to realise the benefits of inclusive commercial value chains. The article is also accessible on <http://mzansiagritalk.com/archives/4325>

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