

#### National Agricultural Marketing Council Promoting market access for South African agriculture









# ANNUAL REPORT 2014/2015

National Agricultural Marketing Council Annual Report 2014/15

RP290/2015 ISBN: 978-0-621-43967-0



## National Agricultural Marketing Council

### Annual Report on Predetermined Objectives 2014/15

I have the honour of submitting the Annual Report for 2014/15 of the National Agricultural Marketing Council (NAMC)

Mr André Young

Acting Chairperson of the

National Agricultural Marketing Council



## **TABLE OF CONTENTS**

NO	ІТЕМ	PAGE
1	PART 1: PUBLIC ENTITY'S GENERAL INFORMATION	5
2	PART 2: STRATEGIC OVERVIEW	7
2.1 2.2 2.3 2.4 2.5 2.6 2.7 2.8	VISION MISSION CORE VALUES STRATEGIC OUTCOMES ORIENTATED GOALS ORGANISATIONAL STRUCTURE FOREWORD BY THE ACTING CHAIRPERSON CHIEF EXECUTIVE OFFICER'S OVERVIEW COUNCIL MEMBERS	8 8 8 9 10 13 15
3	PART 3: PERFORMANCE INFORMATION	17
3.1 3.2 3.3	STATEMENT OF RESPONSIBILITY KEY POLICY DEVELOPMENT AND LEGISLATIVE CHANGES FUNDING	18 19 20
4	PART 4: STRATEGIC PRE-DETERMINED OBJECTIVES	21
4.1	PROGRAMME 1: ADMINISTRATION	22
4.1.1	SUB-PROGRAMME 1: OFFICE OF THE CHIEF EXECUTIVE OFFICER PERFORMANCE INFORMATION	23
4.1.2	SUB-PROGRAMME 2: FINANCE AND ADMINISTRATION PERFORMANCE	24
4.1.3	SUB-PROGRAMME 3: HUMAN RESOURCES MANAGEMENT PERFORMANCE INFORMATION	26
4.2	<b>PROGRAMME 2:</b> MARKETS AND ECONOMIC RESEARCH CENTRE	29
4.3	PROGRAMME 3: STATUTORY MEASURES	41
4.4	PROGRAMME 4: AGRICULTURAL TRUSTS	46
4.5	PROGRAMME 5: AGRIBUSINESS DEVELOPMENT	48
4.6	NARRATIONS	54
5	PART 5: CORPORATE GOVERNANCE	92
6	<b>PART 6</b> : HUMAN RESOURCES MANAGEMENT OVERSIGHT STATISTICS	104
7	PART 7: FINANCIALS	112



Part 1 General Information

# PART 1: PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	National Agricultural Marketing Council
REGISTRATION NUMBER (if applicable):	N/A
PHYSICAL ADDRESS:	536 Francis Baard Street
	Meintjiesplein Building
	Block A, 4th Floor, Arcadia
	Pretoria, 0002
POSTAL ADDRESS:	Private Bag X 935
	Pretoria
	0001
TELEPHONE NUMBER:	012 341 1115
FAX NUMBER:	012 341 1811
EMAIL ADDRESS:	info@namc.co.za
WEBSITE ADDRESS:	www.namc.co.za
EXTERNAL AUDITORS:	AKANANI Consulting Group
BANKERS:	Standard Bank of South Africa

## **ABBREVIATIONS**

AEASA	Agricultural Economics Association of South Africa
CEC	Crop Estimates Committee
CELC	Crop Estimates Liaison Committee
CFP	Custom Feeding Programme
DAFF	Department of Agriculture, Forestry & Fisheries
DAGs	Directly Affected Groups
DTI	Department of Trade & Industry
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
GDP	Gross Domestic Product
МАР АСТ	Marketing of Agricultural Products Act
MERC	Markets and Economic Research Centre
MTSF	Medium Term Strategic Framework
NAMC	National Agricultural Marketing Council
NRMDP	National Red Meat Development Programme
PPECB	Perishable Products Export Control Board
TRALAC	Trade Law Centre of Southern Africa



# Part 2 Strategic Overview

## PART 2: STRATEGIC OVERVIEW

#### 2.1 VISION

Strategic positioning of agriculture in a dynamic global market.

#### 2.2 MISSION

To provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa.

#### 2.3 CORE VALUES

The following values are adopted as the NAMC's commitment and service offering:

**Integrity:** honesty, ethical conduct, trustworthiness, transparency

Accountability: responsible, reliable, taking ownership, confident

**Collaborative:** consultative, teamwork, participative, co-operative

**Service excellence:** performance driven, target oriented, service-oriented, motivated, committed, diligent

**Fairness:** equal treatment, respectful, tolerance, consistency

**Objective:** analytical, rational, attention to detail, conceptual

**Innovative:** creative, pro-active, adaptive, flexible and taking initiative

#### 2.4 STRATEGIC OUTCOMES ORIENTATED GOALS

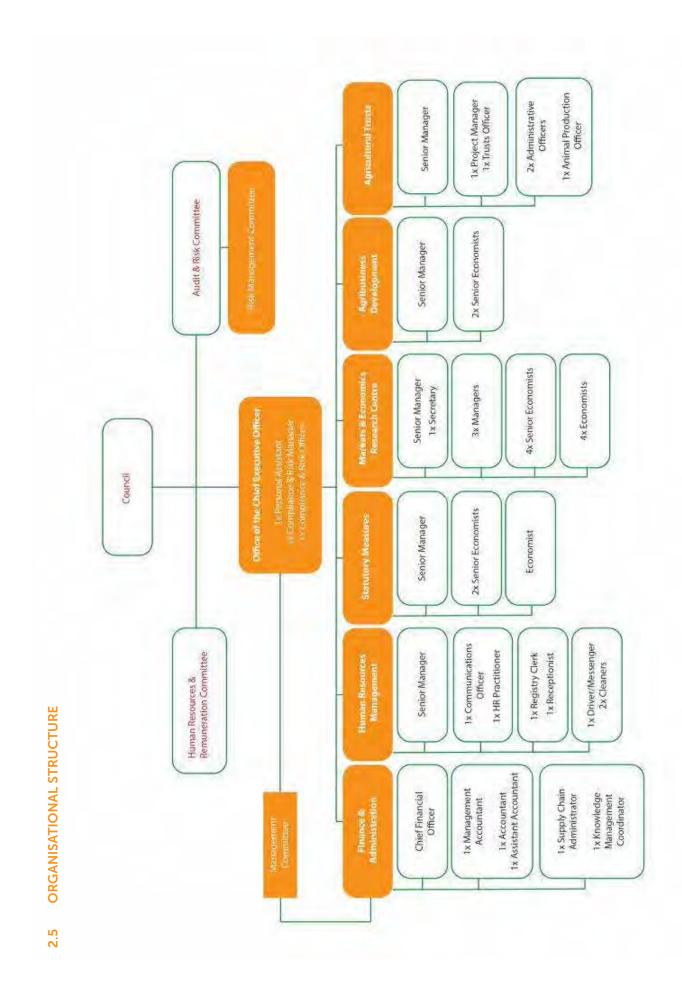
#### Strategic Outcomes Orientated Goals

- a) Increasing market access to all market participants
- b) More efficient marketing of agricultural products
- c) Increased export earnings from agricultural products
- d) Enhanced viability of agricultural sector

#### Goal Statement

To provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa.

Five business strategic goals were identified as pillars underpinning the NAMC's mission. These goals were aligned with five organisational programmes which include a support goal and four business goals. The NAMC collaborates with the Department of Agriculture, Forestry and Fisheries in the roll-out of the following key projects: Trade Probe Reports, Fruit Flow Reports, the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), Markets & Product Profiles, Development Schemes and Marketing Training Programmes.



### 2.6 FOREWORD BY THE ACTING CHAIRPERSON



The National Agricultural Marketing Council (NAMC) is pleased to submit it's 2014/2015 Annual Report to the Minister, and to Parliament. I would also like to, on behalf of the organisation's Council and staff express my sincere thanks to Agricultural, Forestry and Fisheries leadership for display of trust and confidence shown in the current NAMC executive. Honourable Minister Zokwana, in a short space of time (since your appointment) we have managed to align our strategy and vision to your Department's mandate. Thank you for your leadership Minister.

We were also humbled by your request at the Ministerial Engagement meeting, where we were requested to prioritise the performance of the Agricultural Industry Trusts. This request was also endorsed by the current Portfolio Committee on Agriculture, Forestry and Fisheries, Chaired by the Honourable Chairperson Ms. Semenya (MP). We shall indeed prioritise this request in the 2015/2016 financial year. The 2014/2015 was fraught with challenges especially for the grains industry. Prior to the harvest season, indications stemming from the NAMC's research on climate change alerted us to the potential of low crop yields for the 2014 season. This research proved to be correct, as the grains industry reported low crop yields, resulting in processors looking to imports. Such an unfortunate event forced the sector to cut jobs, which eventually contributed to the increase in food prices. From a policy perspective, the efforts and dedication of the Supply and Demand Estimates Committee must be applauded in this regard.

On the subject of food prices, it will be befitting to reiterate and acknowledge that the monitoring of South Africa's food prices was a 2002 Cabinet Lekgotla delegated mandate. Ever since then the NAMC and DAFF have released numerous South African Food Cost Monitor reports to inform and advise government on the food price trends in South Africa. The NAMC went further by ensuring that food prices and trends are monitored guarterly, and have been annually releasing quarterly reports in this regard. Honourable Minister, thus, since 2002, the poor, and mostly rural, have remained the most vulnerable to food insecurity, and the most affected by food price trends. The decline in the retail prices ranged between 4.99% and 2.51%. However, it should be noted that the month-on-month beef prices have increased. Lamb/mutton meat prices showed an increase of 10.32% in January 2014 compared to a year ago. For the mutton/lamb producer prices, only the A2/A3 class showed an increase between January 2013 and January 2014. The price of fresh chicken portions increased by 2.91% in January 2014 compared to January 2013.

Also adding to the food issue was the international food prices, especially wheat, which caused a spike in local food prices. For one,

the international price of wheat (US No.2, Hard Red Winter ord. Prot, US Fob Gulf) decreased by 17.01%, while domestic wheat prices increased by 3.03% during January 2013 to January 2014. Urban consumers paid 5.11% more for a loaf of brown bread (700g) and 3.98% more for a loaf of white (700g) bread during the same period. Another food related dimension which is important to report on, was that the NAMC worked with the World Food Programme on the Lesotho Initiative (Humanitarian Assistance to the Mountain Kingdom of Lesotho by the South African Government). The NAMC developed a Training Manual on Marketing, Trade, and Pricing of maize and dry beans to that effect.

Transformation was another apex priority of the Agriculture, Forestry and Fisheries leadership. As regards to the NAMC, for the period under review, we have managed to steer the transformation agenda by i) reviewing the Industry Trusts 20% transformation threshold, ii) establishing a Transformation Review Committee (TRC), i.e. to review the transformation business plans supplied by the industry levy administrators and iii) approving the Contract Farming Manual to aid emerging farmers involved in contracts so that they understand the environment they operate in.

Reflecting further on transformation, it would be prudent to mention that during the 2013/2014 financial year, the NAMC commenced with a process to amend its existing transformation guidelines which were first adopted in 2007. On 28 May 2013 the Council of the NAMC issued a directive to its Secretariat to investigate possible alternatives regarding the administration and utilisation of the 20% portion of the statutory levy funds, which is set aside for transformation. This directive was issued as a result of other directly affected group's view, that the current system that industry is employing is not yielding the desired results. In order to provide the industry with the opportunity to make inputs regarding the administration and utilisation of the 20 % portion set aside for transformation, the NAMC Secretariat arranged a series of consultative meetings in the second half of 2013 with certain representatives of industry. Two options were proposed to the industry, and a workshop was conducted to that effect. A Transformation Review Committee was then subsequently appointed, and a full report shall be made available in this regard in due course.

In regard to the NAMC's strategic relationships, all its Development Schemes reported good progress, including the partnership extension of the Supply and Logistics Development Programme with the Western Cape Department of Agriculture. This is important to note, especially for our emerging Ceres Farmers in the Western Cape involved in the exporting of citrus foods. The NAMC also, in collaboration with Hortgro, conducted study of selected African economies, with fruit export in mind. The countries covered all regions of the African Continent, with Angola (in Southern Africa), Cameroon (in Central Africa), Kenya (in Eastern Africa), Nigeria (in West Africa) and Egypt (in Northern Africa).

Through the NAMC's relationship with the Food, Agriculture and Natural Resources, Policy Network (FANRPAN) we have assisted in knowledge expansion on agriculture with our African Peers. Earlier I reported on the food dimension and its impact to the country's sustainability. In this regard FARNPAN (under the review period) collaborated extensively with the NAMC in hosting the African leg of the workshop on Climate Smart Agriculture.

Honourable Minister, the changing weather and seasonal patterns has had dire consequences for agriculture, especially for sub-Saharan Africa. As witnessed by our grain shortage this season, food security initiatives is on a peril journey i.e. if climate change is to be ignored. In light of this, the Climate Smart Agriculture workshop gathered experts from various sectors to give impetus to Climate Smart Agriculture policy for South Africa. Once the report has been finalised it will be submitted to DAFF for policy formulation, adoption/approval and implementation.

The NAMC was also privileged to develop and finalise the business plan of SIP11, and submitted same to the PICC within the stated cut-off date. Critically important, through this framework project, is the knowledge tank that the NAMC has amassed concerning the status of agricultural infrastructure and projects in South Africa, and the mapping that has gone into such an exercise. Such monitoring framework and quarterly submission to the PICC has also benefitted CASP, APAP and other agricultural policy, and/or agricultural programmes. Minister Zokwana, the NAMC also contributed significantly to programmes of significant importance, such as the Agriculture Information Management System (AIMS).

There were few challenges experienced in the financial year under review. The delayed approval of Statutory Measures had a negative spin on the operations of the industry. It's however pleasing to report that the matter was addressed and by all indications the turnaround time has improved. In addition, as a result of unforeseen delays it also took a while for two vacant Council seats to be filled, i.e. before the departure of the former Minister. One seat was eventually filled, and another vacancy arose as a result of the passing-on (last year) of the Council's former Chairperson, thus returning the number of Council vacancies to two.

Organisationally, more demands from stakeholders to collaborate on projects took a toll on the NAMCs human resources capacity. To add pain to injury three staff members resigned during the year at a crucial stage. The budget cuts imposed was also one of the most challenging for the NAMC.

Minister I am still however happy to report that our performance against objectives set did not significantly depart from course. We continued to strive and thrive even under the circumstances, and duly (through our quarterly submissions to the Department) reported on the impact of the organisational budget cuts.

Minister I wish to, on behalf of my fellow colleagues on Council thank all NAMC employees and the CEO for surging ahead with the mandate given under the circumstance.

Council would also like to thank our new leadership within the Ministry and Department including the Parliamentary Portfolio Committee for their constant constructive and supportive approach towards the NAMC, including that of all industry stakeholders who have made a significant contribution to the sector.

André Young Acting Chairperson National Agricultural Marketing Council

### 2.7 CHIEF EXECUTIVE OFFICER'S OVERVIEW



In all my years at the NAMC, one of the important areas of focus has been the development of women entrepreneurs and providing them with access to markets. This has informed the focus and execution of many of our programmes. To date, over 240 women entrepreneurs from the nine provinces of South Africa have been trained under the AGRIBIZ programme. We do so because we have identified training as one of the factors that contribute to the lack of access to markets by the previously disadvantaged emerging agribusinesses.

Minister Senzeni Zokwana has assisted us greatly in ensuring that the work we do through statutory levies and trusts funds on transformation, achieves its desired impact. The NAMC introduced new transformation guidelines that are in line with the AGRIBEE scorecard. In terms of the new transformation guidelines, levy administrators would on an annual basis submit a business plan regarding transformation activities envisaged for the following financial year. Six months after a specific financial year, levy administrators would report on actual transformation activities, by comparing their activities with the budget for that financial year.

The assessment of the Statutory Measures report indicates that the total levies collected as part of the 2013 survey amounted to R409.1 million, which is 10.0 % more than the R371.9 million reported as total levy income in the previous 2012 survey. Eighteen statutory measures applications were received during the period under review. Worth noting was the first time application by the Pomegranate Association of South Africa (POMASA) for statutory measures. Under the period review, the NAMC assisted in the successful implementation of the UN World Food Programme Lesotho Initiative (Humanitarian assistance to the Mountain Kingdom of Lesotho by the South African Government). The NAMC developed a Training Manual on Marketing, Trade and Pricing of maize and drybeans and trained all smallholder farmers who were selected to supply WFP with required food quantities.

Also during the year under review, the NAMC conducted an investigation into contract farming arrangements in the fruits and vegetables industry. The investigation was undertaken as a response to the needs of the growers, retailers and processors with regard to contract farming arrangements that were

dishonored by all the parties. The results of the investigation showed that farmers do not have the knowledge and understanding of contracts. As part of addressing this problem, the NAMC developed a training manual, and rolled out training in the Eastern Cape and Western Cape during 2014. Given the importance of contract farming in South Africa, the NAMC is working with DAFF and the Provincial Departments of Agriculture (PDA'S) to roll out the training to smallholder farmers in South Africa.

On behalf of the NAMC staff, I would also like to extend our sincere appreciation to Mr André Young (Acting Chairperson) for the role he has been fulfilling since the untimely departure of the late Chairperson Mrs Ntombi Msimang. We also greatly appreciate the role that all Council members played in providing the leadership and direction for the NAMC. I thank all staff members of the NAMC for their hard work and dedication.

Ronald Ramabulana Chief Executive Officer National Agricultural Marketing Council

### **2.8 COUNCIL MEMBERS**



Mr. AD Young

**NAMC Acting Chairperson & Chairperson of the NAMC HR and Remuneration Committee** Bachelor of Administration

President: South African Union of Food Markets. Chairperson: Section 7 Committee – Restructuring of Fresh Produce Markets. Senior Manager: Durban Fresh Produce Market. Former Board Member: Agricultural Research Council. Former Board Member: Agricultural Produce Agents Council Former Council Member: University of KwaZulu-Natal.



Mr. AM Cronje NAMC Council Member Masters of Science in Agricultural Economics

Chairman of Organic Aloe in Albertinia. Agricultural Research Specialist: Tiger Brands



Mr. A Hendricks NAMC Council Member Management of Business Administration: Agricultural Leadership Development

President : Western Cape National African Farmers Union Western Cape. President of National African Farmers Union of South Africa representing black farmers in South Africa. Board Member Agri-SETA. Board Member Wine Industry Development Association. Director & Board Member Agri-sector Unity Forum (ASUF). Member of IODSA Institute of Directors of South Africa.



**Ms. MM Gill** NAMC Council Member & Member of NAMC HR and Remuneration Committee Computer Literate Certificate

Chairperson of Women in Agriculture and Rural Development in the Northern Cape Province. National Secretary of ANC Ward. Board Member of the National Lucerne Trust.



Dr LL Magingxa NAMC Council Member & Member of NAMC Audit and Risk Committee PhD in Agricultural Economics

Group Executive: Agricultural Economics and Capacity Building (ARC), President of the Agricultural Economics Association of South Africa.



**Dr JL Purchase NAMC Council Member** *PhD in Agriculture* 

Board Member of the Land & Agricultural Development Bank of South Africa. Trustee of The Maize Trust Board Member of the International Food and Agribusiness Management Association (IFAMA).

Section 7 Committee Chairperson of Crop Estimates Liaison Committee. Chairperson of Grain & Oilseeds Supply and Demand Liaison Committee.



Mrs JM Van Der Merwe NAMC Council Member & Member of NAMC HR and Remuneration Committee Master in Business Leadership (MBL)

Executive Committee (SANCU). Impartiality Committee (SABS). Various Technical Committees (SABS). Trustee (OPDT). Director Health Quality Assessment Agricultural Trade Forum (DAFF).



**Ms TE Zimu** NAMC Council Member & Member of NAMC Audit and Risk Committee Bachelor of Arts in Nursing Science

Involved in the production and marketing of Agricultural Products by Small-Scale and Previously Disadvantaged Groups.

**Part 3** Performance Information ۵

# PART 3: PERFORMANCE INFORMATION

3.1 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

## **OFFICIAL SIGN-OFF**

It is hereby certified that the Annual Report:

- was developed by the Management of the NAMC, under the guidance of the Executive Authority of Mr André Young, Acting Chairperson of Council;
- takes into account all the relevant policies, legislation and other mandates for which the NAMC is responsible; and
- accurately reflects the achieved strategic objectives for the period 2014 to 2015.

Signature: \_

TR Ramabulana

Chief Executive Officer

Approved by:

André Young

Signature: \_\_\_\_\_

Acting Chairperson: Council

#### 3.2 KEY POLICY DEVELOPMENT AND LEGISLATIVE CHANGES

The NAMC was established in terms of Sections 3 and 4 of the Marketing of Agricultural Products Act, No. 47 of 1996 (hereinafter referred to as the MAP Act) as amended by Act No. 59 of 1997 and Act No. 52 of 2001.

The mandate as spelled out in the MAP Act reads as follows:

"The NAMC shall, when requested by the Minister or of its own accord, investigate the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency of the measures and, if necessary, proposing alternatives to the establishment, continuation, amendment or repeal of a statutory measure or other regulatory measure and report to and advise the Minister accordingly".

Furthermore, Section 9(1)(e) of the MAP Act stipulates that the NAMC may undertake investigations and advise the Minister regarding:

- a) Agricultural Marketing Policy and its application,
- b) The coordination of Agricultural Marketing Policy in relation to national economic, social and development policies and international trends and developments,
- c) The possibilities for promoting the objectives of the MAP Act, mentioned in Section 2(2) of the MAP Act, and
- d) The effect that marketing of products has on the objectives mentioned in Section 2(2) of the MAP Act.

In addition, in terms of Section 9(1) of the MAP Act, the NAMC shall monitor the application of statutory measures and report to the Minister, and shall review the measures at least every two years. The accountability arrangements of the NAMC to the Minister for the Department of Agricultural, Forestry & Fisheries are as follows:

- a) The Minister, as the Executive Authority of the NAMC, annually approves the Council's budget and business plan before the beginning of each financial year,
- b) According to Sections 53(1) of the Public Finance Management Act (PFMA), No. 1 of 1999, read with Section 29(1)(1) of the Treasury Regulations issued in terms of the PFMA, the NAMC should submit a three-year Strategic Plan to the Executive Authority six (6) months before the beginning of each ensuing financial year for its consideration and guidance,
- c) The NAMC, through submissions and quarterly reports, appraises the Minister of progress made on the approved business plan, and
- d) The Council, which is the Accounting Authority of the NAMC, convenes at least four (4) times per year to consider its business.

#### 3.3 FUNDING

The NAMC is funded by Parliament through Vote 26 under the Programme: Agricultural Trade and Policy Analysis of the Department of Agriculture, Forestry and Fisheries. The aim of the NAMC is to provide strategic agricultural marketing advice to the Minister of the Department of Agriculture, Forestry and Fisheries and all directly affected groups in the agricultural sector. The goal is to promote the achievement of the objectives of the MAP Act, which are to:

- a) Increase market access for all market participants,
- b) Promote the efficiency of the marketing of agricultural products,
- c) Optimise export earnings from agricultural products, and
- d) Enhance the viability of the agricultural sector.

During the period under review, there were no policy developments or legislative changes.



# Part 4 STRATEGIC PRE-DETERMINED OBJECTIVES

## 4. PART 4: STRATEGIC PRE-DETERMINED OBJECTIVES

#### 4.1 PROGRAMME 1: ADMINISTRATION

Strategic Goal 1	To ensure internal business excellence within the NAMC
Goal statement	To ensure internal excellence in practices supporting the NAMC in effectively delivering on its mandate
Justification	The aim is to ensure that the NAMC functions optimally through effective business processes, corporate governance and support services
Links	Government outcome 5 and 12 2009 Government Priority 7

The purpose of this programme is to provide support services towards achieving internal business excellence within the NAMC. In support of this goal, the following objectives are pursued: to provide business process services in support of NAMC objectives; to provide financial services in support of NAMC objectives; and to provide corporate resource services in support of NAMC objectives.

The programme is currently structured in accordance with the following sub-programmes:

- a) Sub Programme 1.1 : Office of the Chief Executive Officer
- b) Sub Programme 1.2 : Finance & Administration Management
- c) Sub Programme 1.3 : Human Resources Management

Business process services include services that focus on ensuring effective and efficient transversal business processes such as organisational planning, organisational development, organisational performance management, stakeholder relations management and corporate governance support comprising of enterprise risk management, legal services and internal audit processes.

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Business Process Support Corporate Governance	Compliance assessments conducted (n)	Conducted (4) compliance assessment reports	Conduct (4) compliance assessments and produce reports by end of financial year	<ul> <li>(4) Compliance assessments conducted and produced a report in June, September December 2014 and March 2015.</li> </ul>	None	None
Business Process Support Corporate Governance	Risk assessments conducted (n)	Conducted (5) risk assessment reports	Conduct (5) risk assessments and produce reports by end of financial year	(5) Risk assessments conducted and produced a report in May, July, September, November 2014, February and March 2015.	None	None
Business Process Support Corporate Governance	Council Committee secretarial support provided (n)	Provided (4) Council committee secretarial support services	Provide (4) Council committee secretarial support services and produce reports by end of financial year	(4) Council Committee meetings held during the financial year and a report produced.	None	None
Business Process Support Corporate Governance	Council Committee performance evaluations conducted (n)	Conducted (1) Council Committee performance evaluation	Conduct (1) Council Committee performance evaluation by end of financial year	(1) Council Committee performance evaluation was conducted by March 2015.	None	None

SUB- PROGRAMME 1: OFFICE OF THE CHIEF EXECUTIVE OFFICER PERFORMANCE INFORMATION 4.1.1

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Financial support	Budget submitted for approval (n)	Approved budget (1)	Submit (1) budget for approval by 28 February 2015	(1) Budget for 2015/16 was submitted and approved by Council in February 2015.	None	None
Financial support	Annual statutory financial reports provided within prescribed time (n)	Approved statutory financial reports (1)	Provide (1) statutory financial report by 31 July 2014	(1) Statutory financial report was provided and approved by Council in July 2014.	None	None
Financial support	Quarterly statutory financial reports provided within prescribed time (n)	Provided (4) statutory financial reports	Provide (4) statutory financial reports by end of financial year	(4) Statutory financial reports were provided in June, September, December 2014 and March 2015 to Audit & Risk Committee and Council and approved.	None	None
Financial support	Monthly statutory financial reports provided within prescribed time (n)	Provided (12) statutory financial reports	Provide (12) statutory financial reports by end of financial year	(12) Statutory financial reports were provided on a monthly basis.	None	None
Financial support	BBBEE procurement reports provided (n)	I	Provide (4) BBBEE procurement reports by end of financial year	(4) BBBEE procurement reports were provided in June, September, December 2014 and March 2015.	None	None

4.1.2 SUB-PROGRAMME 2: FINANCE AND ADMINISTRATION PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Financial support	Creditors/debtors payments/ collections (days)	Submitted (12) creditors/debtors age analysis reports	Process creditors/debtors payments/ collections within (30 days) and submit (12) creditors/debtors age analysis reports by end of financial year	Creditors/Debtors payment/ collections were made within 30 days. (12) creditors/debtors age analysis reports were prepared and reviewed.	an Non	None
IT Support	IT performance report (n)	Produced (4) IT performance reports	Produce (4) IT performance reports by end of financial year	(4) IT reports were produced in June, September, December 2014 and March 2015.	None	None

ment Deviation Comments on from planned deviations Target to Actual Achievement	d None None Land	uarterly None None a vere n June, 15.	ervices None None d ed March	as None None ber
Actual Achievement 2014/2015	(1) Strategic Plan and Annual Operational Plan was submitted in February 2015.	<ul> <li>(4) Organisational quarterly performance reports were submitted to DAFF in June, September, December</li> <li>2014 and March 2015.</li> </ul>	(4) Corporate Communications services reports were provided in June, September, December 2014 and March 2015.	(1) Annual Report was provided in September 2014.
Planned Annual Targets 2014/2015	Submit (1) Strategic Plan and Annual Operational Plan within prescribed time by February 2015	Submit (4) Organisational quarterly performance reports to DAFF by end of financial year	Provide (4) Corporate Communications services reports by end of financial year	Provide (1) Annual Report by September 2014
Audited Performance 2013/2014	Approved Strategic Plan and Annual Operational Plan	Submitted (4) Organisational quarterly performance reports	Provided (4) Corporate Communication services reports	Annual Report
Performance Indicator	Strategic Plan and Annual Operational Plan provided within prescribed time (n)	Organisational quarterly performance reports submitted to DAFF (n)	Corporate Communications services reports provided (n)	Annual Report provided (n)
Strategic Objectives	Business Process Support	Business Process Support	Business Process Support	Business Process Support

4.1.3 SUB-PROGRAMME 3: HUMAN RESOURCES MANAGEMENT PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Business Process Support	Events reports provided (n)	Events reports	Provide (4) Events reports by end of financial year	(4) Events reports were provided in June, September, December 2014 and March 2015.	None	None
Human Resources Support	Performance Management reviews conducted (n)	(3) Performance Management reviews	Conduct (3) Performance Management reviews by end of financial year	(3) Performance Management reviews were conducted in July, November 2014 and March 2015.	e N N	None
Human Resources Support	Organisational structure review (n)	1	Review (1) organisational structure by end of financial year	(1) Organisational structure was reviewed by March 2015.	None	None
Human Resources Support	Lead time from recruitment requisition received until appointment recommendation made (days)	Vacancy report	Fill vacant funded positions within 60 days from recruitment requisition received until appointment recommendation by end of financial year	There were no vacant funded positions during the financial year.	e S Z	o N N

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Human Resources Support	Wellness sessions reports provided (n)	Wellness sessions reports	Provide (4) Wellness sessions reports by end of financial year	<ul> <li>(4) Wellness sessions reports were provided in June, September, December 2014 and March 2015.</li> </ul>	None	None
Human Resources Support	Workplace skills reports (n)	Workplace skills reports	Submit (1) Workplace skills report by end of financial year	(1) Workplace skills report was submitted in June 2014.	o N	None
Human Resources Support	Human Resources reports provided (n)	Human Resources reports	Provide (4) Human Resources reports by end of financial year	(4) Human Resources reports were provided in June, September, December 2014 and March 2015.	e o Z	None

#### 4.2 PROGRAMME 2: MARKETS AND ECONOMIC RESEARCH CENTRE

Strategic Goal 2	To provide quality research to key stakeholders in support of agricultural marketing decision making
Goal statement	Effective agricultural marketing decisions will enhance competition, result in more effective market structures and increased market access
Justification	The aim is to inform directly affected groups and policy makers to contribute to policy debate and creation of a more efficient marketing system
Links	Government outcome 7 2009 Government Priority 4 NAMC outcomes 1,2,3 & 4

MERC was established in 2007. At the time the need was realised by the NAMC that in order to fulfill its mandate much more intensive research is required. The MERC consists of different focus areas, ie. information and knowledge management, trade and market access and agro-food chains. Broadly stated the MERC aims to:

- a. gauge the efficiency of the market for every agricultural commodity on an ongoing basis;
- b. to devise programmes for the improvement of the markets' performance; and
- c. where necessary to catalyze and guide specific market development programmes, preferably in co-operation with the DAGs, but where necessary even through the use of statutory interventions in terms of the MAPA or by invoking the other acts such as the Competitions Act.

An important part of the activities of MERC includes the Food Price Monitoring, Input Cost Monitoring, TradeProbes and Fruit Trade Flow and Food Cost Review publications. These publications are cited widely in the press and provide a valuable foundation for decision-making by stakeholders. MERC is also responsible as the South African Node Coordinator of the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN).

Comments on deviations	e N N	e N N
Deviation from planned Target to Actual Achievement	PCON	e CO Z
Actual Achievement 2014/2015	<ul> <li>(6) TradeProbe articles were published as follows:</li> <li>- Issue No 51 (May)</li> <li>- Issue No 52 (July)</li> <li>- Issue No 53 (September)</li> <li>- Issue No 54 (November)</li> <li>- Issue No 55 (January 2015)</li> <li>- Issue No 56 (March 2015).</li> </ul>	<ul> <li>(4) Fruit Flow reports were published as follows:</li> <li>- Issue No 14 (June)</li> <li>- Issue No 15 (September)</li> <li>- Issue No 16 (December)</li> <li>- Issue No 17 (November).</li> </ul>
Planned Annual Targets 2014/2015	Publish (6) TradeProbe articles by end of financial year	Publish (4) Fruit Flow reports by end of financial year
Audited Performance 2013/2014	(6) TradeProbe articles	(4) Fruit Flow reports
Performance Indicator	TradeProbe (n)	Fruit Flow reports (n)
Strategic Objectives	Trade Research	Trade Research

PROGRAMME 2: MARKETS AND ECONOMICS RESEARCH CENTRE PERFORMANCE INFORMATION 4.2.1

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Trade Research	Seminars reports (n)	Seminars	Produce (1) seminars report by end of financial year	(1) Seminar report was produced by March 2015.	None	None
Trade Research	FANRPAN reports (n)	FANRPAN report	Submit (1) FANRPAN report by end of financial year	(1) FANRPAN report was submitted by March 2015.	None	None
Trade Research	South African Agricultural Economic Professional Fellowships report (n)	South African Agricultural Economic Professional Fellowships report	Publish (1) South African Agricultural Economic Professional Fellowships report by end of financial year	(1) South African Agricultural Economic Professional Fellowships report was published by March 2015.	None	None
Trade Research	ITAC report (n)	ITAC report	Publish (1) ITAC report by end of financial year	(1) ITAC report was published by March 2015.	None	None
Trade Research	Trade Research report (n)	Trade Research reports	Submit (1) Trade Research report by end of financial year	(1) Trade Research report was published by March 2015.	None	None

t Deviation Comments from planned on Target deviations to Actual Achievement	ere 4 extra Increased conference incentives for papers were submission alCS submitted of papers to journals	climate e	i making: ats d to the Change	i making: ats d to the Change inssions i Fruit to the Change	i making: ats d to the Change Change Change Change s Black mitted to	i making: ats at to the Change Change Change S Black mitted to on
Actual Achievement 2014/2015	<ul> <li>(6) Trade Conference papers were submitted:</li> <li>South Africa's agricultural export competitiveness in the BRICS market for selected products submitted to IFAMA Conference 2014</li> </ul>	- Farmers' perceptions on climate change and use of climate	forecasts in farm decision making The case of Makhathini Flats Cotton Farmers submitted to the 6 <sup>th</sup> International Climate Change conference	<ul> <li>forecasts in farm decision making The case of Makhathini Flats Cotton Farmers submitted to the 6<sup>th</sup> International Climate Change conference</li> <li>Assessment of Carbon Emissions Embodied in South Africa Fruit Supply Chains submitted to the 6<sup>th</sup> International Climate Change conference</li> </ul>		
Audited Planned Performance Annual Targets 2013/2014 2014/2015	Submit (2) Trade Conference papers by end of financial year					
Indicator Per 20	Trade Conference Papers submitted (n)					
Strategic Objectives	Trade Research					

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Trade Research	Trade Journal Articles submitted (n)	1	Submit (2) Trade Journal Articles by end of financial year	<ul> <li>(2) Trade Journal Articles were submitted by March 2015:</li> <li>Assessment of Carbon Emissions Embodied in South Africa Fruit Supply Chains - submitted to the International Journal of Climate Change: Impacts and Responses</li> <li>Formulating the Least Cost Feeding Strategy in South Africa: A linear Programming Approach - submitted to OIDA International Journal of Sustainable Development.</li> </ul>	e N N	on No
Agro-Food Chains Research	Food Price Monitor reports released (n)	Released (4) Food Price Monitor reports	Release (4) Food Price Monitor reports by end of financial year	<ul> <li>(4) Food Price Monitor reports were released:</li> <li>Food Price Monitor report May 2014</li> <li>Food Price Monitor report August 2014</li> <li>Food Price Monitor report November 2014</li> <li>Food Price Monitor report February 2015.</li> </ul>	e v v	None
Agro-Food Chains Research	Food Cost Review released (n)	Released (1) Food cost review	Release (1) Food Cost Review by end of financial year	(1) Food Cost Review was released by March 2015.	None	None

Deviation Comments from planned on Target deviations to Actual Achievement	None None				
Actual Achievement f 2014/2015	(4) Input Cost Monitors were released:	<ul> <li>Trends in selected Agricultural input prices Sept 2014</li> </ul>			
2014/2015			1 1	1 1 1	1 1 1 1
2013/2014 2014/2015	d (4) Input onitor				
Indicator	orts	eleased (n) reports			
Objectives	Agro-Food Int Chains Research Mo	<u></u>			

Strategic	Performance	Audited	Planned	Actual Achievement	Deviation	Comments
Objectives	Indicator	Performance 2013/2014	Annual Targets 2014/2015	2014/2015	from planned Target to Actual Achievement	on deviations
Agro–Food Chains Research	Supply and Demand Estimates reports	Supply and Demand Estimates reports	Produce (12) Supply and Demand	(12) Supply and Demand Estimates (SDE) reports were produced on the following dates:	None	None
	produced (n)	produced (12)	Estimates reports by end of	- SDE report was released on 25 January 2014		
			financial year	- SDE report was released on 30 January 2014		
				- SDE report was released on 1 Jul 2014		
				- SDE report was released on 1 August 2014		
				<ul> <li>SDE report was released on 29 August 2014</li> </ul>		
				- SDE report was released on		
				3 October 2014		
				- SDE report was released on 30 October 2014		
				<ul> <li>SDE report was released on 28 November 2014</li> </ul>		
				<ul> <li>SDE report was released on 13 January 2015</li> </ul>		
				<ul> <li>SDE report was released on 30 January 2015</li> </ul>		
				- SDE report was released on		
				3 March 2015		
				<ul> <li>SDE report was released on 27 March 2015.</li> </ul>		

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Agro-Food Chains Research	Agribenchmark reports releases (n)	Released (2) Agri benchmark reports	Release (2) Agribenchmark reports by end of financial year	<ul> <li>(2) Agribenchmark reports were released by March 2015:</li> <li>Agri benchmark Beef and Sheep Season</li> <li>Agri benchmark Cash crop 2014.</li> </ul>	None	an No N
Agro–Food Chains Research	Agro-Food Chain research report (n)	Submitted (1) Agro-Food Chain research report	Submit (1) Agro- Food Chain research report by end of financial year	(1) Agro-Food Chain research report was submitted by March 2015.	None	None
Agro-Food Chains Research	Agro-Food Chain conference papers (n)	Submitted (2) Agro-Food Chain conference papers	Submit (2) Agro- Food Chain conference papers by end of financial year	<ul> <li>(2) ) Agro-Food Chain conference papers were submitted at IFAMA 2014 conference:</li> <li>Determining the Agricultural Output Gap and its Link with Food Price Dynamics in South Africa</li> <li>Factors Impacting the Competitiveness of the South African Poultry Feed Industry</li> <li>The Effect of Policy on the South African Broiler Industry.</li> </ul>	Sone	e Z Z

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Agro-Food Chains Research	Agro-Food Chain journal articles submitted (n)	Submitted (2) Agro-Food Chain journal articles	Submit (2) Agro- Food Chain journal articles by eend of financial year	<ul> <li>(4) Agro-Food Chain journal articles were submitted by March 2015:</li> <li>Macro-Economic Impact Analysis of the South African Broiler industry using the African INFORUM Model (SAFRIM)</li> <li>Assessing Technical, Allocative and Economic Efficiency of Sugarcane Production in South Africa: A case of Mpumalanga Growers - Submitted to Agrekon</li> <li>Factors Impacting the Competitiveness of the South African Poultry Feed Industry - Submitted to Agrekon</li> <li>Consumer Price Volatility Spillover Effects in the South African Meat Market - Submitted to Agrekon.</li> </ul>	2 extra journal articles were submitted	Extra material for extracting journal papers

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Agro-Food Chains Research	SIP 11 Project Monitoring reports submitted (n)	Submitted (4) SIP 11 Project Monitoring reports	Submit (4) SIP 11 Project Monitoring reports by end of financial year	<ul> <li>(4) SIP 11 Project Monitoring reports were submitted:</li> <li>Quarter 4: Jan – March 2014 SIP 11 Project Monitoring Report</li> <li>Quarter 1: Apr – Jun 2014 SIP 11 Project Monitoring Report</li> <li>Quarter 2: Jul – Sep 2014</li> <li>SIP 11 Project Monitoring Report</li> <li>Guarter 3: Oct – Dec 2014 SIP 11 Project Monitoring Report.</li> </ul>	None	None None
Smallholder Market Access research	Smallholder Market Access research report (n)	Submitted (1) Smallholder Market Access research report	Submit (1) Smallholder Market Access research report by end of financial year	(1) Smallholder Market Access Research report submitted by March 2015.	None	None

Comments on deviations	e o Z
Deviation from planned Target to Actual Achievement	None
Actual Achievement 2014/2015	<ul> <li>(2) Smallholder Market Access conference papers were submitted by March 2015:</li> <li>Communal Livestock Farming: Does this Farming System Create Jobs for the Rural Poverty Stricken Areas. Submitted at International Conference on Innovation for Sustainability under Climate Change and Green Growth</li> <li>Sweet Potato in the Informal Municipalities. Submitted to International Conference on Innovation for Sustainability under Climate Change and Green Growth</li> </ul>
Planned Annual Targets 2014/2015	Submit (2) Smallholder Market Access conference papers by end of financial year
Audited Performance 2013/2014	Submitted (2) Market Access conference papers on Smallholder market access
Performance Indicator	Smallholder Market Access conference papers submitted (n)
Strategic Objectives	Smallholder Market Access research

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Smallholder Market Access research	Smallholder Market Access journal articles submitted (n)	Submitted (2) Smallholder Access journal articles	Submit (2) journal articles on Smallholder Market Access by end of financial year	<ul> <li>(2) Journal articles on Smallholder Market Access were submitted by March 2015:</li> <li>Critical Analysis of Mentorship Conditions in the Smallholder Broiler Contracted Entrepreneurs in Two Provinces of the Republic of South Africa (submitted to Wulfenia Journal).</li> <li>Formulating the Least Cost Feeding Strategy of a Custom Feeding Programme: A Linear Programming Approach. Submitted to OIDA International Journal of Sustainable Development.</li> </ul>	one	None

# 4.3 **PROGRAMME 3: STATUTORY MEASURES**

The purpose of this programme is to facilitate the process to implement statutory measures in order to promote the efficiency of the marketing of agricultural products. In support of this goal, the following objectives are pursued:

- a) To implement statutory measures in support of the objectives of the Marketing of Agricultural Products Act;
- b) To enable the relevant industries to collect funds to finance important generic functions; and
- c) To enable the relevant industries to collect and disseminate important agricultural information in order to promote growth within the specific industry.

The programme is currently structured in accordance with the following sub-programmes:

- Field crop products;
- Horticultural products; and
- Livestock products.

Strategic Goal 3	To provide statutory measures recommendations in support of an effectual agricultural marketing system
Goal statement	Providing objective recommendations to the Minister based on investiga- tions conducted
Justification	The aim is to enable the agricultural sector to collect levies to finance generic functions, collect and disseminate information, to promote the effi- ciency of the marketing of agricultural products, to promote market access, to increase export earnings and when required, control exports
Links	Government outcome 7 2009 Government Priority 4 NAMC outcomes 1, 2 & 3

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Statutory Measures Implementa-tion	Statutory Measures investigations(n)	(30) Investigated Statutory Measures	Investigate (30) Statutory Measures by the end of financial year	<ul> <li>Thirty six (36) Statutory Measures were investigated and are as follows:</li> <li>1. AMIE statutory levies</li> <li>2. AMIE records &amp; returns</li> <li>3. AMIE registrations</li> <li>4. Dairy statutory levies (surplus funds)</li> <li>5. Dairy statutory weasure inspectors</li> <li>6. Deciduous fruit records &amp; returns</li> <li>8. Deciduous fruit records &amp; returns</li> <li>10. Fruit (Agri-hub) registrations</li> <li>11. Grain products records &amp; returns</li> <li>12. Crain products records &amp; returns</li> <li>13. Lucerne statutory levies</li> <li>14. Macadamia statutory levies</li> <li>15. Macadamia statutory levies</li> <li>16. Macadamia records &amp; returns</li> <li>17. Mango statutory levies</li> <li>18. Mango registrations</li> <li>19. Mango statutory levies</li> <li>10. Promegranate records &amp; returns</li> <li>10. Promegranate records &amp; returns</li> <li>11. Crain products records &amp; returns</li> <li>12. Crain products records &amp; returns</li> <li>13. Lucerne statutory levies</li> <li>14. Macadamia returory levies</li> <li>15. Mango statutory levies</li> <li>16. Pomegranate registrations</li> <li>17. Mango statutory levies</li> <li>18. Mango registrations</li> <li>19. Pomegranate records &amp; returns</li> <li>20. Pomegranate registrations</li> <li>21. Pomegranate records &amp; returns</li> <li>22. Pomegranate records &amp; returns</li> <li>23. Pork statutory levies</li> <li>24. Pork records &amp; returns</li> <li>25. Portato statutory levies</li> <li>26. Portato statutory levies</li> <li>27. Pomegranate records &amp; returns</li> <li>28. Portato statutory levies</li> <li>29. Portato statutory levies</li> <li>20. Pomegranate records &amp; returns</li> <li>21. Pomegranate records &amp; returns</li> <li>22. Pomegranate records &amp; returns</li> <li>23. Red meat records &amp; returns</li> <li>24. Portato statutory levies</li> <li>25. Portato statutory levies</li> <li>26. Portato statutory levies</li> <li>27. Pomegranate records &amp; returns</li> <li>28. Proposed Amman Statutory levies</li> <li>29. Minter cereal statutory levies</li> <li>20. Winter cere</li></ul>	Planned – 30 Actual – 36 Achievement – 120 %	The NAMC reached the target to do 30 Statutory Measures investigations during the 2014/15 financial year

4.3.1 PROGRAMME 3: STATUTORY MEASURES PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Statutory Measures Implementa-tion	Statutory Measures promulgated (n)	(20) Promulgated Statutory Measures	Promulgate (20) Statutory Measures by end of financial year	Promulgate (16) Statutory Measures during the financial year in the Government Gazette, namely –	Planned – 20 Actual – 16	A number of factors could influence the promulgation
				<ol> <li>Fruit (Agri-hub) records &amp; returns</li> </ol>	Achievement – 80 %	of a statutory measure. This could include
				<ol> <li>Fruit (Agri-hub) registrations</li> <li>Grain products records 6</li> </ol>		additional consultations, the obtaining
						and analysing of legal opinions and other unforeseen
				<ol> <li>Grain products registrations</li> <li>Lucerne statutory levies</li> </ol>		circumstances. For example, the Association of
				6. Macadamia statutory levies		Meat Importers and Exporters
				7. Macadamia records & returns		(AMIE) requested on 26 February
				8. Macadamia registrations		2014 the Minister's approval
				9. Pork statutory levies		for statutory measures. The
				10. Pork records & returns		NAMC made its
				11. Pork registrations		to the Minister
				12. Red meat statutory levies		2014. After a
				13. Red meat records & returns		opinions the
				14. Red meat registrations		NAMC withdrew its original
				15. Sorghum statutory levies		recommendation, with the result
				16. Winter cereal statutory levies.		that by the end of March 2015, this
						issue was still on the table of the
						NAMC.

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Statutory Measures Implementa-tion	Surplus funds utilization report (n)	To investigate all requests in this regard	To investigate all requests in this regard by end of financial year	Investigated all requests in the surplus utilization funds and produced a report on the following: 1. Dairy statutory levies (surplus funds) 2. Potato statutory levies (surplus funds) 3. Wine statutory levies (surplus funds).	None	e CO Z
Statutory Measures Implementa-tion	Inspector appointments report (n)	To investigate all requests in this regard	To investigate all requests in this regard by end of financial year	Investigated all requests in Inspector appointment and produced a report in the following industries, namely – 1. Dairy industry 2. Winter cereal industry.	None	e O Z
Compliance monitoring to conditions	Status of Statutory Measures report (n)	Produced (1) report regarding the Status of Statutory Measures	Produce (1) report regarding the Status of Statutory Measures by end of financial year	(1) Report regarding the Status of Statutory Measures was produced in March 2015.	None	Pone
Committee functioning	Crop Estimates Liaison Committee reports (n)	Produced (1) report regarding the Crop Estimates Liaison Committee	Produce (1) report on Crop Estimates Liaison Committee by end of financial year	(1) Report on Crop Estimates Liaison Committee was produced by March 2015.	None	None

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Committee functioning	Supply and Demand Estimates Committee reports(n)	Produced (1) report on Supply and Demand Estimates Committee	Produce (1) report on Supply and Demand Estimates Committee by end of financial year	(1) Report on Supply and Demand Estimates Committee was produced by March 2015.	Pun	None
Committee functioning	Supply and Demand Estimates Liaison Committee reports (n)	Produced (2) report on Supply and Demand Estimates Liaison Committee	Produce (2) report on Supply and Demand Estimates Liaison Committee by end of financial year	(2) Report on Supply and Demand Estimates Liaison Committee produced by March 2015.	on Non	None
Register of directly affected groups	Register of directly affected groups (n)	1	Produce (1) report on the Register of directly affected groups by end of financial year	(1) Report on the Register of directly affected groups was produced by March 2015.	e No N	None

# 4.4. PROGRAMME 4: AGRICULTURAL TRUSTS

The Agricultural Trusts Division was established to manage and coordinate the communication process between the Minister of Agriculture, Forestry and Fisheries, and the Agricultural Industry Trusts. The Agricultural Industry Trusts are bodies that were established after the disbandment of the former Control Boards during the market deregulation process in 1996. The assets of the Control Boards were then transferred into these Agricultural Trusts.

The Industry Trusts are managed by a Board of Trustees, in which the Minister is represented. The Ministerial Trustees are entrusted to ensure that the Industry Trusts carry out the objectives of the Trust Deeds, by aligning them to a government transformation mandate. These Ministerial Trustees then report to the Agricultural Trusts division of the NAMC on the operations and financial performance of the Trusts in which the NAMC communicates to the Minister.

Strategic Goal 4	To provide advisory services relating to trusts to the Minister
Goal statement	To provide objective advisory to the Minister based on the mon- itoring process on the operations of trusts
Justification	The aim is to ensure that the viability of the agricultural sector is enhanced
Links	Government outcomes 5,7 and 12 2009 Government Priority 2,4,6 and 7 NAMC outcomes 1 and 4

4.4.1 PROGRAMME 4: AGRICULI URAL I RUSI S PERFORMANCE INFORMALION	H: AGRICULI URAL I	KUS IS PERFORMAN				
Strategic Objectives	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Trustee Capacity Development	Status report of agricultural trusts (n)	Produced (1) report on status of agriculture	Produce (1) report on status of agriculture by end of financial year	(1) Report on Status of Agriculture Trusts was produced by March 2015.	None	None
Trustee Capacity Development	Training reports (n)	Facilitated the training	Facilitate (1) training programme by end of financial year	(1) Training programme was facilitated by March 2015.	one N	None
Ministerial Trustee communication facilitation	Status Report of Agricultural Trusts (1)	(1) Status Report of Agricultural Trusts	(1 ) Status Report of Agricultural Trusts by end of financial year	<ol> <li>Report on Status of Agriculture Trusts was produced by March 2015.</li> </ol>	er o Z	anon
Management of the Agricultural Marketing Schemes Trust and Grain Farmer Development Trust	AMST and GFDT reports (n)	Produced (1) report on status of agriculture	Produced (1) report on status of agriculture	<ol> <li>Report on Management of the Agricultural Marketing Schemes Trust and Grain Farmer Development Trust was produced by March 2015.</li> </ol>	one N	None

4.4.1 PROGRAMME 4: AGRICULTURAL TRUSTS PERFORMANCE INFORMATION

# 4.5 PROGRAMME 5: AGRIBUSINESS DEVELOPMENT

The NAMC strategic placement and relationship with public and private institutions built over many years has enabled the Agribusiness Development division to facilitate programmes that have the potential to achieve government outcomes. The Agribusiness Development division of the NAMC was established in 2006 to collaborate with various institutions both nationally and internationally in designing and implementing programmes that are aimed at increasing market access, encouraging new business development and capacity building of historically disadvantaged enterprises.

To provide development programmes that will link smallholder farmers to markets	
To provide development programmes to smallholder farmers to overcome their constraints in accessing the markets	
The aim is to increase access to markets by smallholder farmers	
Government outcomes 5 and 7	
2009 Government Priority 2, 4 and 6 NAMC outcome 1	

Comments on	deviations	None							
Deviation	Target to Actual Achievement	None							
Actual Achievement	2014/2015	<ul> <li>(4) Training programmes were facilitated and four (4) reports produced:</li> <li>Management Training For Women Entrepreneurs</li> </ul>	(AGRIBIZ) in May 2014	<ul> <li>Making Market Matters workshop programme (MMM) In May 2014</li> </ul>	Basic Financial Management     for Gauteng Vaal Vegetables     Farmers in December 2014	Basic Financial Management	for Mpumalanga Acornhoek	(Mzinti College) in December	2014.
Planned	Annual largets 2014/2015	Facilitate (4) training programmes and produce a report by end of financial year							
Audited	2013/2014	Facilitated (4) training programmes							
Performance	Indicator	Capacity building programmes facilitation report (n)							
Strategic	Objectives	Capacity Building Facilitation							

4.5.1 PROGRAMME 5: AGRI-BUSINESS DEVELOPMENT PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Capacity Building Facilitation	Training evaluation reports provided (n)	Provided (4) training evaluation reports	Provide (4) training evaluation reports by end of financial year	<ul> <li>(4) Training evaluation reports were provided:</li> <li>2011-2013 AGRIBIZ Impact Assessment for 9 Provinces, February 2015</li> <li>Making Market Matters Impact Assessment, March 2015</li> <li>Financial Management Vaal Impact Assessment, March 2015</li> <li>Livestock Training Impact Assessment, March 2015.</li> </ul>	None	ano
Markets Development Facilitation	Development farmers' database update frequency (n)	Farmers database developed	Update the farmers database and produce (4) reports by end of financial year	<ul> <li>Farmers database updated</li> <li>Four reports produced in June, September, December 2014 and March 2015.</li> </ul>	None	None

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Markets Development Facilitation	Business development support reports(n)	1	Facilitate (2) provision of business support services by end of financial year	<ul> <li>(2) Provision of business support services was facilitated:</li> <li>Production Manuals (Mango, litchi, macadamia, avocado) in February 2015</li> <li>Business Plans for Supply Chain and Logistics Development Programme in December 2014.</li> </ul>	None	None
Markets Development Facilitation	Technical Assistance Plans developed (n)	Developed (4) Technical Assistance plans	Develop (4) Technical Assistance plans by end of financial year	<ul> <li>(4) Technical Assistance Plans were developed:</li> <li>Macadamia farmers in Umjimbi, Mpumalanga, September 2014</li> <li>Macadamia farmers in Mbombela and Thabatshweu, Mpumalanga, March 2015</li> <li>Mango farmers in Vhembe, March 2015</li> <li>Implementation of Technical Assistance Plans in Western Cape through the Supply Chain &amp; Logistics Programme (SCLP) in June, September, December 2014 and March 2015.</li> </ul>	Non	None

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Markets Development Facilitation	Market Information Facilitation programmes report (n)	1	Provide (1) Market Information Facilitation report by end of financial year	(1) Market Information Facilitation report was provided in March 2015.	None	None
Agricultural Product Development Scheme	Agricultural Development Schemes (n)	Designed (1) Development Scheme	Design (1) Agricultural Development Scheme by end of financial year	<ul> <li>(1) Development scheme was designed in March 2015:</li> <li>Fish hunting (Port Nolloth and Hondeklipbaai).</li> </ul>	None	None

~	
~	
Q	
E	
4	
~	
1	
L.	
Ο	
ш.	
Ζ	
щ	
U	
Z	
4	
2	
1	
Ľ,	
Ο	
Ű.	
2	
ш	
Δ	
H	
Ē	
-	
~	
<u> </u>	
0	
Ę.	
ш	
2	
ш	
Δ	
<b>JSINESS D</b>	
ŝ	
Ш	
Z	
- 🚍	
S	
2	
m	
2	
15	
¥	
4	
iö	
1.1.1.1	
Щ	
МЕ	
MME	
AMME	
<b>ZAMME</b>	
GRAMME	
<b>GRAMME</b>	
OGRAMME	
ROGRAMME	
PROGRAMME	
: PROGRAMME	
S: PROGRAMME	
TS: PROGRAMME	
NTS: PROGRAMME	
ENTS: PROGRAMME	
<b>AENTS: PROGRAMME</b>	
EMENTS: PROGRAMME	
/EMENTS: PROGRAMME 5: AGRIBUSINESS DEVELOPMENT PERFORMANCE INFORMATION	
EVEMENTS: PROGRAMME	
<b>IEVEMENTS: PROGRAMME</b>	
HIEVEMENTS: PROGRAMME	
CHIEVEMENTS: PROGRAMME	
<b>ACHIEVEMENTS: PROGRAMME</b>	
. ACHIEVEMENTS: PROGRAMME	
<b>1L ACHIEVEMENTS: PROGRAMME</b>	
IAL ACHIEVEMENTS: PROGRAMME	
NAL ACHIEVEMENTS: PROGRAMME	
<b>ONAL ACHIEVEMENTS: PROGRAMME</b>	
<b>FIONAL ACHIEVEMENTS: PROGRAMME</b>	
<b>ITIONAL ACHIEVEMENTS: PROGRAMME</b>	
DITIONAL ACHIEVEMENTS: PROGRAMME	
<b>DDITIONAL ACHIEVEMENTS: PROGRAMME</b>	
ADDITIONAL ACHIEVEMENTS: PROGRAMME	
<b>ADDITIONAL ACHIEVEMENTS: PROGRAMME</b>	
.2 ADDITIONAL ACHIEVEMENTS: PROGRAMME	
5.2 ADDITIONAL ACHIEVEMENTS: PROGRAMME	
4.5.2 ADDITIONAL ACHIEVEMENTS: PROGRAMME	
4.5.2 ADDITIONAL ACHIEVEMENTS: PROGRAMME	

Strategic Objectives	Performance Indicator	Audited Performance 2013/2014	Planned Annual Targets 2014/2015	Actual Achievement 2014/2015	Deviation from planned Target to Actual Achievement	Comments on deviations
Agricultural Product Development Scheme	Custom feeding facilities capacity utilised (n)	Animal intakes	Conduct (4) animal intakes through custom feeding facilities and produce reports by end of financial year	<ul> <li>(4) Animal intakes were conducted and NRMDP is currently operating six (6) Custom Feeding Programmes (CFP) with the recent launch of the Gxwalubomvu (15 April 2014). Facilities has the following cohort number of animals: Umzimvubu – 45 animals</li> <li>Fort Cox – 36 animals</li> <li>Ncorha – 43 animals</li> <li>Ncorha – 43 animals</li> <li>Gxwalubomvu–35 animals.</li> </ul>	None	Pone
Agricultural Product Development Scheme	Facilitate auctions (n)	Facilitated (6) auctions	Facilitate (6) auction by end of financial year	<ul> <li>(6) Auctions were facilitated as follows:</li> <li>Loverstwist and Seymour Auction Pens continue to hold bi-monthly auctions.</li> <li>Seymour Auction Pen: May sales - 106 cattle generated R434 600,00.</li> <li>Loverstwist Auction Pen: May sales - 145 cattle generated R616 250,00.</li> </ul>	None	None
Market Development Facilitation	Farmer training programmes facilitated (n)	Provided (5) farmer training programmes	Facilitate (5) farmers training by end of financial year	(5) farmers training were facilitated in June, September December 2014 and March 2015.	None	None

4.6 NARRATIONS

# PROGRAMME 1: ADMINISTRATION

# SUB-PROGRAMME 1.1 OFFICE OF THE CHIEF EXECUTIVE OFFICER

# **RISK AND COMPLIANCE MANAGEMENT**

The NAMC has Risk and Compliance function within the CEO's office to assist with governance issues assessing compliance risks and efficiently monitoring legal compliance. The Risk and Compliance function works closely with Executive Management to align goals and ensure proper communication. Council is responsible for ensuring compliance with all laws and regulations applicable to the NAMC. For this reason, Compliance and Risk function has unfettered access to Council and the CEO on any compliance and risk related issues.

To ensure compliance with legislation, codes, regulations, policies and standards, the Compliance and risk function embarked on a compliance and risk review of all divisions to determine their level of compliance. The compliance review reports highlighted areas of noncompliance and recommended actions to ensure compliance is achieved or improved. Compliance and Risk reports were submitted to the Council and Audit and Risk Committee highlighting all identified compliance risks and transgressions within the NAMC.

### **RISK ASSESSMENT**

The NAMC held an annual risk assessment during April 2014 which was attended by Council, Human Resources and Remuneration Committee, Audit and Risk Committee as well as Management Committee members. A risk assessment workshop format enabled participants to both contribute and learn in a natural environment. The result was not only a ranked list of key risks, but a fascinating discussion about the control environment, risk appetite, and individual risk tolerances affecting the NAMC. Risk assessments were also conducted with divisions to update operational risk registers.

# **COUNCIL MEETINGS**

The Council held five meetings during the financial year. During these meetings members deliberated on specific issues and forwarded submissions to the Minister of Agriculture, Forestry and Fisheries (DAFF). Submissions forwarded to the Minister included the South African Food Cost Review, Agricultural Trust Report, Section 7 Committee Report and reports on investigations into the implementation of statutory measures.

Council conducted a self evaluation which focused on the role of the Council and its responsibilities in providing leadership and vision.

# SUB-PROGRAMME 1.2: FINANCE AND ADMINISTRATION

The purpose of this division is to provide strategic leadership and direction on matters of financial performance and to monitor compliance with the PFMA and the Treasury Regulations.

# STRATEGIC REVIEWS AND COMPLIANCE WITH STRATEGIC OBJECTIVES

Monthly and quarterly reviews of programme expenditure against budget were conducted and the process contributed to a regular strategic review to ensure adherence to the strategic plan.

### SUPPLY CHAIN MANAGEMENT

The division renders supply management services to the entity and is responsible for the following: Demand and Acquisition, Logistic Management, Disposal Management and regular Assessment of Supply Chain performance.

Compliance with legislation and regulations in terms of reporting has been achieved. The supplier database has been updated with the new tax clearance certificates and BEE certificates. Advertisements for suppliers to register on our database were placed and the supplier data base updated. For the period under review the entity did acquire goods and services through competitive bidding processes, which included the following:

• Vineyard Development Scheme project.

#### ASSET MANAGEMENT

The entity conducted asset verifications, which resulted in the disposal of obsolete computer equipment with a book value R77 770, 17.

Six (6) computers with a book value of R19 043, 25 were stolen and the proceeds from the insurance were received.

For the period under review the entity reviewed the useful life of assets after assessing the condition, type of assets and their remaining useful life.

# **INFORMATION TECHNOLOGY**

The Information Technology (IT) function was outsourced to Application Technology. They provide professional services with regard to IT on a daily basis. The contract has been renewed for two (2) years commencing on 1 March 2014.

For the period under review the IT Steering Committee continued to function and had to look at ensuring that the Information Technology (IT) Strategy and Policies are implemented within the entity. The IT Steering Committee also looked at addressing audit findings as raised by both internal and external auditors to ensure that the queries were resolved within a specified time frame.

# **RISK ASSESSMENT AND MANAGEMENT**

The Finance and Administration recognises the importance of risk management in ensuring that its objectives are achieved. The Finance and Administration risk register and controls were reviewed and updated to mitigate the risks.

# FUNCTION OF THE AUDIT COMMITTEE

The entity's Audit Committee continues to function and met five (5) times during the period under review.

## **INTERNAL AUDIT FUNCTION**

The Internal Audit function of the NAMC is outsourced to Akanani Consulting Group and during the period under review, the internal auditors conducted various reviews and assessments of the NAMC's controls environment. The results were reported to the Audit and Risk Committee. No significant deviations from internal audit were reported during the assessments.

# SUB-PROGRAMME 1.3: HUMAN RESOURCES MANAGEMENT

# INTRODUCTION

The Human Resources Division is pleased to present the annual report on the HR performance. The management of internships, and human resources audits are some of the performance highlights achieved during the reporting period. This is a reflection of performance achieved during the financial year. The focus was on the Human Resources Plan which has the following key activities:

- Attraction of the right skills;
- The retention and development of the right skills;
- The creation of a culture of learning excellence;
- Staff are engaged and motivated;
- Employee relations;
- HR operational excellence; and
- Corporate Social Responsibility.

## **CORPORATE GOVERNANCE**

### **Human Resources Risks**

The Human Resources developed a riskmonitoring system which is managed at a divisional level. During the financial year, five (5) HR risk pillars were identified and reported to the Risk Management Committee.

# Table A: HR Risks

Risk Number 1.	<b>Risk Description</b> Failure to comply with legislation, policies and procedures governing Human Resources.	Contributory Factor/s Inadequate skills and capacity Non compliance on Human Resources Policies and Procedures.	<ul> <li>Existing Controls</li> <li>Policies were accessible under the central drive</li> <li>Changes on the policies and procedures were communicated at Mancom via emails as well as staff meetings</li> </ul>
2.	Inadequate Talent Management.	Not having the right talent in the right place at the right time.	<ul> <li>Awareness sessions on policies were conducted during the year.</li> <li>The following policies were in place during the year:         <ul> <li>Remuneration Strategy</li> <li>Human Resources Plan</li> <li>Bursary Policy</li> </ul> </li> </ul>
			<ul> <li>Performance Management &amp; Development Policy</li> <li>Recruitment &amp; Selection Policy.</li> </ul>
3.	Inadequate Performance Management System.	Lack of understanding of the Performance Management System.	<ul> <li>A staff workshop was conducted on the Performance Management System</li> <li>The Performance Management and Development Policy was put in place during the year</li> <li>Performance agreements were verified by HR to ensure alignment with the strategic objectives</li> </ul>
			<ul> <li>Performance appraisals were carried out during July, November 2014 and March 2015</li> <li>Moderating Committee moderated the scores during the financial year.</li> </ul>
4.	Abuse of Sick Leave.	Abuse of Sick Leave by employees.	<ul> <li>The Sick Leave &amp; Incapacity Guideline was developed and approved during the financial year</li> <li>HR performs monthly leave reconciliations</li> <li>Counseling was offered to employees where a need was identified during the year.</li> </ul>
5.	Lack of core skills and competencies within NAMC.	Lack of understanding on key trends in the business environment.	The core skills and competencies within NAMC were identified during the financial year.

# HUMAN RESOURCES OVERALL PERFORMANCE

#### Attraction of the right skills

#### **Internship and Graduate Placement**

NAMC partnered with Agri-SETA which rolled out an amount of R630 000,00 for internships and graduate placement. In fulfilling this mandate, the NAMC recruited six (6) Agricultural Economists and five (5) Administration Internships. As part of job creation, two (2) interns were offered employment at other institutions, one (1) at Potatoes SA and the other at FruitSA.

# Induction

The HR facilitated the induction process through a presentation on the NAMC policies and procedures.

### Probation

Two (2) employees were confirmed as permanent employees after completing the probation period.

#### Overall staff turnover

Three (3) employees tendered their resignation during the financial year and three (3) employees were dismissed due to misconduct. As a result of this, the staff turnover was 7 % for the period 2014/15 as compared to 1.26 % during the financial year 2013/2014.

#### Demographics

As at 31 March 2015, the NAMC had forty three (43) permanent employees and eighteen (18) contract employees. The gender representation is as follows: female Africans – 15, female Whites – 9, male Africans - 17 and male Whites – 2. The need to further deliver on targets, particularly Indian and Coloured, will remain a priority in 2015.

# The retention and development of the right skills

#### Developing our people

NAMC is committed to promoting a learning culture which enables employees to develop in order to meet future needs of the organisation. The NAMC received funding of R450 000,00 for bursaries from Agri-SETA. As part of skills development, twelve (12) employees were offered bursaries to study towards agricultural degrees. The NAMC submitted the Work Skills Plan report to Agri-SETA. As part of Corporate Social Responsibility a significant investment in skills development was also evident as two (2) students from agricultural schools were offered training.

# The creation of a culture of learning excellence

# Remuneration

The NAMC has a competitive remuneration package which comprises of a total cost to company. The package also includes a cover on deadly diseases and risk benefits to all employees. A salary increase of 6 % across-theboard was implemented.

#### **Performance Management**

A Performance Management system was introduced to measure organisational objectives against performance. The individual performance agreements were linked to NAMC strategic objectives. Formal performance reviews were conducted. The Moderating Committee monitored organisational performance. Of the forty three (43) employees, thirty four (34) employees performed exceptionally and were rewarded with bonuses.

#### Staff are engaged and motivated

# Fostering a healthy workplace

One of our goals is to foster a healthy work environment, through the implementation of Employee Diversity Forums. A constitution was developed by the Men Diversity Forum to formalise wellness activities. The Women's Diversity Forum celebrated Women's Day and organised two workshops.

# **Employee Assistance Programme**

Counselling sessions were facilitated by HR and seven (7) employees attended.

## **HIV/AIDS** commemoration

It is incumbent upon a state agency to support government initiatives aimed at raising awareness. The NAMC through its Wellness Programme and Corporate Social Responsibility commemorated the World Aids Day. The world AIDS Day is observed every year on 1 December and is dedicated to raising awareness of the HIV/AIDS pandemic caused by the spread of HIV infection. The HR visited Leratong Hospice to spend time and learn about the effects of this pandemic and to what extent the NAMC can provide support to the hospice.

### **Employee Relations**

#### **Enabling Decision Making**

The Human Resources division facilitated the review of policies as well as awareness sessions. The Disciplinary Code and Incapacity Procedures Policy and Sick Leave and Incapacity Guidelines were approved.

#### Grievances

There were no grievances lodged during the financial year.

#### **Disciplinary hearings**

Disciplinary hearings were facilitated and resulted in three (3) dismissals.

#### **Staff Representative Committee**

The Memorandum of Understanding of the Staff Representative Committee was approved. The Staff Representative Committee also held four (4) meetings.

#### **Ensure HR Operational Excellence**

### **Sick Leave Management**

HR's role is to monitor and detect abuse of sick leave. As part of compliance, leave reconciliations between the ESS and VIP system were conducted on a monthly basis.

# Personnel files

All personnel files are updated on a monthly basis and all necessary documents were filed.

## Injury, illness and death

One (1) employee fractured his leg on the basement stairways while attempting to evacuate the building. The employee was taken to the doctor.

#### Service benefits

Multinet Life Brokers (Pty) Ltd are the appointed Employee Benefits consultants to administer the NAMC's service benefits. As per the Conditions of Employment, the NAMC has four standalone Group Risk Benefit Schemes, namely, the Group Life Scheme for death cover, the Group Income Continuation Scheme for disability cover, Funeral Cover and the Provident Fund. Human Resources manages the service benefits in consultation with the service provider.

#### **Corporate Social Responsibility**

#### **Corporate Social Responsibility**

A Corporate Social Responsibility Committee will be established by the Chairperson of the HR&RC as per the Terms of Reference.

#### **Community Upliftment**

In December 2014 NAMC employees visited the Leratong Hospice on World Aids Day. Employees donated toiletries and detergents to the Hospice.

#### **COMMUNICATIONS UNIT**

Under the period review, the Communications Unit managed to profile organisational activities through several platforms. Despite the budget cuts, the NAMC managed to interact with the public through media which has been the highlight of public engagement. Four Communications Services reports including the Events Report were submitted. The following is an account of the Unit's performance during the period under review.

# Communications

The following were key marketing areas in which we delivered the NAMC mandate:

- Deputy Minister's Visit: Arranged a site visit for the Deputy Minister of Rural Development and Land Reform to assess progress on NAMC Custom Feeding Programmes in the Eastern Cape.
- Contract Farming Western Cape: The NAMC co-hosted a training workshop on contract farming together with the Department of Western Cape Agriculture. The objective of the workshop was to train contract farmers on the aspects of contracts and responsibilities of being a supplier.
- Beef Cattle Farming Indaba: The NAMC hosted the 4<sup>th</sup> Beef Cattle Farming Indaba in collaboration with the Ikhephu Farmers Association. The event was hosted in Elliot, Eastern Cape and the aim was to highlight the success of communal livestock farming.

- Jacaranda Show: An Annual Event hosted a Pretoria Show-grounds were organisations are afforded the opportunity to interact with farmers. A report was compiled about the show.
- **PMA Fresh:** NAMC participated in the PMA Fresh Conference. The event was attended by international organisations in the fresh produce. A report was produced

#### Stakeholder Engagement

The following were stakeholder engagements conducted during the period under review;

- Agricultural Economics Association of South Africa. The NAMC as a secretariat of the Association assisted in hosting the annual event in the Eastern Cape. Three workshops were conducted focusing on food security, climate change and trade promotion.
- Trade Seminars. As part of expanding knowledge management, the NAMC through MERC hosted seminars quarterly, in order to assist in peer reviewing economists papers and presentations.
- Agriculture, Forestry and Fisheries Communications Strategy. During the period under review, the NAMC managed to submit its contributions to the development of a Communications Strategy for DAFF. The focal point was also to consider marketing and trade.
- IFAMA. The IFAMA Congress was hosted in Cape Town during the year and the NAMC made presentations. A highlight was when one of our colleague's presentations was reported on in the media.

# PROGRAMME 2: MARKETS AND ECONOMIC RESEARCH CENTRE

# **FOOD PRICES**

The NAMC collaborates with the Department of Agriculture, Forestry and Fisheries, Provincial Departments of Agriculture and Statistics South Africa to monitor and report on food price trends in South Africa. During the reporting period 2013/14, four (4) quarterly Food Price Monitoring (FPM) reports were published. The FPM report published in February 2014 provides valuable insights into trends in food prices from January 2013 to January 2014. According to this report, food and non-alcoholic beverages' inflation recorded for January 2014 was 4.3 %.

The international price of wheat (US No. 2, Hard Red Winter ord. Prot, US Fob Gulf) decreased by 17.01 %, while domestic wheat prices increased by 3.03 % during January 2013–January 2014. Urban consumers paid 5.11 % more for a loaf of brown bread (700g) and 3.98 % more for a loaf of white (700g) bread during the same period. The local yellow maize prices increased by 40.37 % from January 2013 to January 2014. International yellow maize prices decreased by 34.58 % during the same period. Super maize meal increased by 3.75 % and special maize meal also decreased by 11.12 % between January 2013 and January 2014.

The prices of beef cuts decreased between January 2013 and January 2014. The prices follow the trends seen on the producer prices of the different meat classes. The average producer prices of class A2/A3, Class B2/B3 and C2/C3 beef declined in total by 4.05 %, 3.75 % and 6.90 %, respectively. The decline in the retail prices ranged between 4.99 % and 2.51 %. However, it should be noted that the month-on-month beef prices have increased. Lamb/mutton meat prices showed an increase of 10.32 % in January 2014 compared to a year ago. For the mutton/ lamb producer prices, only the A2/A3 class showed an increase between January 2013

and January 2014. The price of fresh chicken portions increased by 2.91 % in January 2014 compared to January 2013. In January 2014, the price of frozen chicken portions increased by 5.32 % year-on-year.

When comparing January 2013 to January 2014, significant price inflation (6 % or more) was experienced for the following products in the food basket: rice, cabbage, potatoes, tea, maize meal, margarine, instant coffee and milk. This could have a negative impact on household food security in South Africa, affecting the affordability of important staple foods (rice, bread and maize meal), as well as other food items making a major contribution to dietary diversity.

In addition to the four (4) FPM reports, the NAMC published the South African Food Cost Review, focusing on trends in the agro-food industry in 2012. This report covered six (6) key issues, namely, the South African Social Assistance Programme, Trade Facilitation, The Right to Water and the Financial Position of the Agricultural Sector (only 4). Four (4) quarterly Input Cost Monitor reports, which track trends in farm input prices, were published during the financial year under review.

# AGRO-FOOD CHAIN RESEARCH

The NAMC also takes on the responsibility to gather certain key data and transform it into more accessible information. In-house research is conducted and the NAMC collaborates with other institutions to conduct agro-food chain research that is topical and demand driven. This research includes the following:

- Value chain study on wheat;
- Poultry feed value study (draft); and
- Commodity analysis for Agricultural
   Policy Action Plan (APAP)

# **TRADE RESEARCH**

In the 2014/2015 financial year, the NAMC under the Markets and Economic Research Centre (MERC), did a number of trade oriented work as was outlined in the Five Year Strategic Plan cascading down to the annual performance indicators for the financial year. In doing this MERC collaborated with a number of institutions such as the Department of Agriculture, Forestry and Fisheries (DAFF), the International Trade and Administration Commission (ITAC), the Trade Law Centre of Southern Africa, the Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN) and Hortgro.

- TradeProbe Publication this publication was initiated to provide a tool where key trade issues are put into the public discourse with the aim of creating awareness to businesses and individuals to have access to packaged information regarding certain products, selected markets and opportunities. It is important to note that TradeProbe Publications were published in collaboration with the Directorate of International Trade (of DAFF). Six (6) TradeProbes covering a wide range of topical agriculture, fisheries and forestry (and food) trade issues were published.
- South African Fruit Flow Reports this publication/report outlines the movements of fruits during the harvesting season. During the financial year, four (4) Fruit Flow reports were published.
- MERC Seminars the seminars provide a platform for robust engagements on topical issues ranging from policy to research methodologies. Each year MERC organizes a minimum of eight (8) seminars that cover a wide range of topics from a different scope of practitioners. This was also created as a platform for internal colleagues to ensure that they have an opportunity to share ideas on the work in progress.

- World Food Programme (WFP) the NAMC worked with the WFP on the Lesotho Initiative (Humanitarian assistance to the Mountain Kingdom of Lesotho by the South African Government). The NAMC has developed a Training Manual of Marketing, Trade and Pricing of maize and drybeans. The NAMC has been providing this training to smallholder farmers.
- Tralac the NAMC in collaboration with Tralac put together a book that is to be launched during the Annual Conference of Tralac to be held in Lusaka in the 2015/2016 period. Two chapters of the book were led by NAMC staff and the preface of the book was put together by the NAMC CEO.
- FANRPAN the NAMC participated in the Common Visioning Workshop of FANRPAN that was held in Madagascar
   the study meeting was held in South Africa as well as the Annual Dialogue meeting. During the same year a country dialogue was organised by the NAMC in collaboration with FANRPAN on climate change impact.
- ITAC the NAMC received a number of applications from ITAC requesting for comments. The NAMC responded to all requests that were received ranging from the one on paprika to mango juice concentrates.
- South African Agricultural Professional Fellowship Programme – the NAMC in collaboration with Making Markets Matter Inc. facilitated the 2014/15 student fellowship programme including the study tour of the USA agro-food sector.

- Africa fruit study in partnership with Hortgo – the NAMC in collaboration with Hortgro did a study of the selected economies (African) with fruit export in mind. The countries cover all regions of the continent with Angola (Southern Africa), Cameroon (Central Africa), Kenya (Eastern Africa), Nigeria (West Africa) and Egypt (Northern Africa).
- Regarding the trade focus area staff presented three (3) conference papers
   two at IFAMA and one at PAWC Tuskegee University.

# SMALLHOLDER MARKET ACCESS

The Smallholder Market Access Research Desk of the Markets and Economic Research Centre (MERC) was involved in a number of research projects that aimed at identifying and addressing issues that prohibit smallholders to access markets. Two research projects were undertaken during the 2014/15 year and the projects are as follows: (1) "Market Segmentation and Compliance on Fruits and Vegetables" and (2) "A Research Project on Factors that Influence Smallholder Farmers to Market Livestock". The SHMA unit published two papers: (1) "Critical Analysis of Mentorship Conditions in the Smallholder Broiler Contracted Entrepreneurs" and (2) "Formulating the Least Cost Feeding Strategy of a Custom Feeding Programme". The first Agri-preneur quarterly publication was finalised for publishing.

- The SHMA unit embarked on a project of market segmentation and compliance on fruits and vegetables in the Limpopo and KZN area. The project is a joint effort between the NAMC and SAFL. The first draft is available and the project will be completed in June 2015. A research article is underway for publishing.
- In 2014/15 a baseline study on the National Red Meat Development programme was undertaken and

completed. As part of communicating the research to stakeholders, a paper entitled "What are the factors that influence smallholder farmers' decision to participate in the market of livestock?" was written and submitted to peer reviews.

- Two papers were submitted and published. One paper was on "Critical Analysis of Mentorship Conditions in the Smallholder Broiler Contracted Entrepreneurs" in Limpopo and Northwest. The second paper was on "Formulating the Least Cost Feeding Strategy of a Custom Feeding Programme".
- In 2014/15 the SHMA developed a quarterly publication (the Agri-preneur) that target entrepreneurs within the agricultural sector. The Agri-preneur aims to communicate business related information among smallholder farmers. Agriculture is a business and therefore the edition is designed to share information on business development and to update farmers on the dynamics of current and future markets.
- "Sweet Potato in the Informal Markets: A Tool To Enhance Food Security In The Municipalities". The paper was submitted to the International Conference on Innovation for Sustainability under Climate Change and Green Growth. The paper looked into the availability of sweet potato markets in local and district municipalities in the North West Province, with an objective to determine the consumption of the sweet potato products.

# PROGRAMME 3: STATUTORY MEASURES

# INTRODUCTION

In terms of the MAP Act, the following statutory measures could be implemented:

- a) Statutory levies (Section 15 of the MAP Act);
- b) Control of exports of agricultural products (Section16);
- c) Records & returns (Section 18); and
- d) Registration (Section 19).

Statutory measures are normally promulgated for a period of four years, after which the relevant industry must apply to the Minister for the continuation of measures if they wish to continue to make use of statutory measures. The MAP Act stipulates the procedures that have to be followed in order to investigate an application for the establishment, continuation, amendment or repeal of statutory measures. Some of the procedures involve the following, namely that the Council shall:

- publish a notice setting out particulars of the request and an explanation in connection therewith in the Government Gazette and such magazines or newspapers as may be sufficient in order to bring the request to the attention of directly affected groups, and inviting such directly affected groups to submit any comments relating to the request within a specified time (normally 14 days);
- consider such comments to ensure that there is sufficient support amongst directly affected groups for the proposed statutory measure; and
- report on its findings and make a recommendation to the Minister.

Statutory levies are implemented for the purpose of funding essential generic functions, such as research, information, generic promotion, transformation, etc. in a particular agricultural industry. All levy applications must have a business plan and reasonable level of industry support.

In an attempt to influence how the statutory levy funds should be spent, the NAMC requires that approximately 70 % of levy funds should be spent on functions such as research, information, export promotion, etc., at least 20 % on transformation and not more than 10 % on the administration of the levy. A levy must not exceed 5 % of the price realised by a specific agricultural product at the first point of sale (average price at the first point of sale over a period not exceeding three years). The NAMC has compiled guidelines on what should be regarded as administration costs, generic promotions and transformation. These guidelines were compiled after the relevant agricultural industries were consulted.

The following statutory measure investigations were undertaken during the 2014/15 financial year:

### 1. AMIE statutory measures

On 26 February 2014, the Association of Meat Importers and Exporters (AMIE), applied for the establishment of statutory measures relating to levies, registrations, the keeping of records and rendering of returns in the South African poultry industry. AMIE proposed a statutory levy of 2c/kg (excluding VAT) on imported chicken products. By the end of March 2015, the NAMC was still in the process to finalize its investigation in this regard.

### 2. Dairy statutory levies (surplus funds)

On 5 May 2014, Milk SA requested ministerial approval to spend the surplus funds (approximately R3,8 million) remaining after the four year levy period ended 31 December 2013. According to Milk SA, the surplus was mainly due to the fact that Milk SA's budget provided for a contingency fund which was earmarked for the winding up of the regulations, in the event that the application for new regulations (2014 to 2017) did not succeed.

On 27 May 2014, the NAMC decided to recommend to the Minister that all statutory surplus funds in the dairy industry as on 31 December 2013, should be used for transformation activities. The NAMC informed Milk SA accordingly, for them to indicate how they are going to spend these surplus funds on transformation activities. On 9 November 2014, the NAMC received a proposal from Milk SA indicating that the relevant surplus funds be made available for their existing transformation project titled "Promoting of sustainable commercialisation of existing black dairy farmers". As part of its oversight role, the NAMC visited seven dairy famers who were supplied with dairy cattle (Heifers), and infrastructure by Milk SA through the abovementioned project.

On 25 November 2014, the NAMC recommended to the Minster to approve that the dairy industry surplus funds be used for the "Promoting of sustainable commercialisation of existing black dairy farmers" project. On 7 February 2015, the Minister approved the usage of dairy industry surplus funds (approximately R3,8 million plus interest) remaining after the four (4) year levy period ended 31 December 2013, for the "Promoting of sustainable commercialisation of existing black dairy farmers" project.

# 3. Dairy statutory measure (appointment of inspectors)

On 16 January 2014, the NAMC received an application from Milk SA, for the Minister to approve the appointment of inspectors in terms of Section 21 of the MAP Act. The application indicated that as part of the execution of Milk SA's statutory mandate to enforce compliance with the promulgated dairy statutory measures, Milk SA on a continuous basis institutes legal proceedings against role players to compel them to register with Milk SA, to maintain and submit monthly returns as well as to make payment of statutory levies.

Milk SA therefore requested the Minister to designate and authorise two persons to perform the functions as inspectors as set out in Section 21(3) of the MAP Act insofar as it relates to the promulgated dairy statutory measures.

On 25 February 2014, the NAMC recommended to the Minister to appoint the inspectors and to sign the Inspector Certificates. On 8 April 2014, the Minister approved the authorisation and designation of the two inspectors to perform functions the associated with inspection of statutory measures as promulgated in Notice 1218, Notice 1219 and Notice 1220 dated 20 December 2013. Copies of the signed certificates and inspector cards were sent to Milk SA.

### 4. Deciduous fruit statutory measures

On 16 January 2015, Hortgro applied on behalf of the SA Apple and Pear Producers Association (SAAPPA) and the SA Stone Fruit Producers Association (SASPA), for the continuation of statutory measures (registration, records & returns and levies) on pome fruit (apples and pears) and stone fruit (plums, peaches/nectarines and apricots) in terms of the MAP Act. Hortgro requested that the proposed statutory measures be approved for a new 4 (four) year period with effect from 1 October 2015 and to lapse 4 (four) years later.

This new application was published for comments in the Government Gazette and other media on 7 February 2015. Directly affected groups were given two weeks to submit any comments to the NAMC. By the end of March 2015, the NAMC was still in the process to finalise its investigation in this regard.

# 5. Fruit (Agri-hub) statutory measures

On 25 June 2014, the NAMC received an application on behalf of directly affected groups in the fruit industry to the Minister of Agriculture, Forestry and Fisheries, for the establishment of statutory measures (records & returns and registrations) on table grapes, deciduous- and citrus fruit, for a four (4) year period. It was argued that information to be obtained in terms of the proposed statutory measures is deemed to be essential for the market to operate effectively. The supply of generic market information to all role-players on a continuous basis is therefore essential to improve their competitiveness.

On 5 January 2015, the Minister approved the request and it was published in the Government Gazette of 5 February 2015.

#### 6. Grain products statutory measures

On 23 January 2014, the Maize Forum and the Wheat Forum applied for the introduction and promulgation of new statutory measures, namely registration and the keeping of information and submitting monthly returns in respect of maize products, wheat products and animal feeds. The application was originally published in the Government Gazette of 21 February 2014, the media and the NAMC website, to invite directly affected groups in the grain and oilseeds industries to comment. Since then, various concerns were raised on the application and the Maize and Wheat Forums made amendments to their application.

On 21 August 2014, the NAMC received a new request from the Maize and the Wheat Forums, for the introduction and promulgation of statutory measures, namely registration and the keeping of information and submitting monthly returns in respect of maize products and wheat products manufactured, processed, imported and/or exported. This time, animal feeds were omitted from the application. This application was published for comments in the Government Gazette and other media on 5 September 2014, and all directly affected groups reacted positively on this application. The NAMC recommended the approval of these statutory measures at its meeting of 7 October 2014, and its memorandum and certified notices were sent to DAFF on 14 October 2014. The Minister approved the implementation of these measures on 30 October 2014 after which it was promulgated in the Government Gazette of 14 November 2014.

### 7. Lucerne statutory levies

On 15 November 2013, the National Lucerne Trust (NLT) applied to the Minister, on behalf of directly affected groups in the lucerne industry, for the continuation and increase of statutory levies, to be promulgated for four (4) years. The previous statutory levies on lucerne seed and lucerne hay that were implemented for a period of three (3) years lapsed on 9 September 2014. An explanatory note regarding the proposed statutory levies were published in the Government Gazette of 29 November 2013 and such media as needed to bring the request to the attention of directly affected groups. The only objection received was from the South African National Seed Organisation (SANSOR). A meeting was held on 3 June 2014 in Pretoria between these parties and the NAMC, in order to discuss the application for the levy on lucerne seed. After no agreement could be reached on the role and functions of the NLT and the effective use of the statutory funds to encourage growth in the industry, SANSOR undertook to facilitate a workshop that was held on 20 August 2014 with the entire lucerne seed and hay industry, to deliberate the way forward.

The NAMC was concerned about the fact that, if an agreement is reached at the workshop in August 2014, the new proposals with regard to lucerne levies would not be promulgated in time to replace the then existing levies that would lapse on 9 September 2014. Therefore it was recommended in a separate memorandum of 4 August 2014, that the Minister approved the continuation of the statutory levies on locally produced lucerne seed and lucerne hay, for a period of one (1) year only, to give ample time for the consultative process that

was necessary in the lucerne industry. This recommendation was, however, not approved in time and the levies consequently lapsed on 9 September 2014.

NAMC The investigation and consultation with SANSOR have proven that there is sufficient industry support for the proposed statutory levies on locally produced lucerne seed and lucerne hay. As seed traders or importers (SANSOR members) will not be responsible for paying the levy on locally produced lucerne seed, SANSOR's objection to the proposed levy on locally produced lucerne seed was noted, but could not be regarded as a reason to reject the NLT's application.

In view of the above, the NAMC recommended that the Minister approve the proposed statutory levies on locally produced lucerne seed and lucerne hay, for a period of four (4) years. Eventually, the Minister approved the implementation of these levies on 30 October 2014 after which it was promulgated in the Government Gazette of 14 November 2014.

## 8. Macadamia statutory measures

On 5 March 2014, the Southern African Macadamia Growers' Association (SAMAC), on behalf of directly affected groups in the macadamia industry, applied for the establishment of statutory measures (levies, registration and records returns) on in-shell macadamia nuts, macadamia kernel, macadamia trees (both in nurseries and in the field) for a four (4) year period.

On 29 October 2014, the Minister approved the application and it was

published in the Government Gazette on 14 November 2014.

# 9. Mango statutory measures

On 5 November 2014, Subtrop applied on behalf of the mango industry, for the continuation of statutory measures (levies, registration, records and returns) on processed mangoes for a period of four (4) years. The previous statutory measures in the mango industry already lapsed on 29 October 2014.

If approved by the Minister, processors of mango fruit (drying, atchar, juice and any other activity where the skin of the fruit is broken) will be responsible for collecting of the levy (R33/ton) from the producers on behalf of the South African Mango Growers Association.

The NAMC published details of the application in the Government Gazette for comments and the deadline for comments from Directly Affected Groups (DAGs) was 17 January 2015. The NAMC received four (4) comments from DAG's who do not support the application. By the end of March 2015 the NAMC was in the process to arrange for discussions with these organisations who objected to the application and was therefore still in the process to finalise its investigation in this regard.

# 10. Pomegranate statutory measures

On 16 March 2015, the Pomegranate Association of South Africa (POMASA), applied to the Minister for the implementation of statutory measures (registration, records and returns and levies) on pomegranates in terms of the MAP Act 1996. POMASA requested that the proposed statutory measures be approved for a four (4) year period with effect from 1 January 2016 and to lapse four (4) years later. This was the first time the pomegranate industry applied for statutory measures.

By the end of the financial year (March 2015), the NAMC was still in the process to investigate the application in order to formulate a recommendation to the Minister for consideration.

# 11. Pork statutory measures

On 27 September 2013, the South African Pork Producers' Organisation (SAPPO) applied for the continuation of statutory measures (registration, records and returns and levies), in the South African pork industry. The previous statutory levy was R7,00 per slaughter pig or live pig exported (excluding VAT). SAPPO proposed that the statutory levy increase to R8,50 per pig (VAT excluded) for the period 1 November 2013 to 31 October 2014, to R8,93 per pig (VAT excluded) for the period 1 November 2014 to 31 October 2015 and to R9,38 per pig (VAT excluded) for the period 1 November 2015 to 31 October 2016.

On 11 October 2013 the NAMC published a Notice in the Government Gazette and all directly affected groups were requested to comment on the proposed statutory measures. On 26 November 2013 the NAMC supported the proposed pork statutory measures to be approved by the Minister. On 24 March 2014, the Minister approved the introduction of the proposed statutory measures in the South African pork industry, for a period of three (3) years to lapse on 31 October 2016. The relevant Notices were published in the Government Gazette of 18 April 2014.

#### 12. Potato statutory measures

On 4 August 2014, Potatoes South Africa (PSA) applied for the continuation for statutory measures in the potato industry for a new term of four (4) years. The existing statutory measures will expire on 3 August 2015.

On 25 November 2014, after the NAMC completed its investigation the NAMC recommended that the Minister approve the proposed statutory measures. By the end of March 2015 the NAMC was still waiting for a decision from the Minister.

# 13. Potato statutory levies (surplus funds)

On 11 February 2015, Potatoes SA requested ministerial approval for the utilisation of surplus funds as required by the MAP Act. Due to various reasons, Potatoes SA foreseen a surplus of statutory funds by 30 June 2015 (the end of their financial year), of approximately R7,5 million. One of the reasons for the surplus, is that there is a delaying factor of two months in the collection of the potato statutory levies. In other words, levies due on 3 August 2015, the end of the current four (4) year levy period, will only be received on 3 October 2015. The other reason for the surplus is the term of committed projects which stretch over three (3) to four (4) years.

It was the NAMC's opinion that the proposed utilisation of the surplus funds by PSA will continue to further the objectives of the MAP Act, will not prejudice its objectives in any way; will not be detrimental to food security; the number of employment opportunities within the sector; or to fair labour practices. In March 2015 the NAMC recommended that the Minister approves the utilisation of surplus funds to the amount of R7,5 million as proposed by Potatoes SA. By the end of March 2015 the NAMC was still waiting for a decision from the Minister's office.

### 14. Red meat statutory measures

On 22 April 2014, the Red Meat Industry Forum (RMIF) applied for the continuation of statutory measures (registration, record and returns and levies), in the South African red meat industry. The RMIF proposed that the statutory measures in the red meat industry be administrated by the Red Meat Levy Administrator (RMLA), which performed this role for the past few years. The new levy for cattle is R7,81 per head from 5 November 2014 until 4 November 2015 and for sheep/goats the new levy is R1,52 per head for the first year. The statutory levies will increase gradually over the four (4) year levy period. The RMIF requested ministerial approval for the establishment of the statutory measures for a new period of four (4) years from 5 November 2014 and to lapse on 4 November 2018.

On 23 May 2014, the NAMC published a Notice in the Government Gazette requesting all directly affected groups to comment on the proposed statutory measures. The NAMC investigated the application for the statutory measures in the red meat industry and came to the conclusion that the statutory measures will promote the objectives of the MAP Act and that there is sufficient support from role players in the red meat industry. On 29 July 2014 the NAMC supported the red meat statutory measures to be approved by the Minister. The Minister approved the statutory measures on 5 November 2014, after which it was promulgated in the Government Gazette of 11 November 2014.

# 15. Sorghum statutory levies

The previous statutory levy on sorghum of R16/ton, excluding VAT, was implemented on 1 March 2010 for a period of four (4) years, to lapse on 28 February 2014. On 21 January 2014, the Sorghum Forum applied to the Minister, in terms of Section 15 of the MAP Act, on behalf of the directly affected groups in the sorghum industry, for the continuation of the sorghum statutory levy, for a new period of four (4) years. The proposed levy of R10/ton sorghum (excluding VAT) which was payable by buyers, importers, exporters and processors of sorghum and payable to the Sorghum Trust to provide financial support for the following functions that the sorghum industry has identified as essential and in the interest of the industry as a whole:

• Rendering of information services to all role players;

• Support of sorghum research; and

• Support of transformation initiatives.

The application was published for comments on 31 January 2014. In February 2014 the application was considered by Council and the Council made a recommendation to the Minster on 5 March 2014. The Minister approved the sorghum statutory levy on 7 April 2014, after which it was promulgated in the Government Gazette of 25 April 2014.

# 16. Wine statutory levies (surplus funds)

On 15 October 2014, the wine industry requested the Minister's approval for the utilisation of surplus funds, which accumulated during the statutory measures period 1 January 2010 until 31 December 2013.

In March 2015, the NAMC recommended that the Minister approves that the surplus funds be utilised as requested by the wine industry, namely that –

- 30 % of the surplus funds (R4 510 377,00) be channeled towards transformation activities through the Wine Industry Transformation Committee (WITC);
- the remaining 70 % of the surplus funds (R10 524 212,00) be utilised by the business units (SAWIS and WINETECH); and
- WIDA's surplus transformation levy funds (R1 474 534,00) be utilised by them until the available funds have been exhausted.

By the end of March 2014, the Minister's decision regarding the wine surplus funds was still outstanding.

# 17. Winter cereal statutory levies

The previous statutory levies on winter cereals, as promulgated by Government Notice No. R.727 of 22 August 2010, expired on 30 September 2014.

On 5 May 2014, the Wheat Forum requested, on behalf of the directly affected groups in the winter cereal industry, for the introduction and promulgation of statutory levies for the different winter cereal commodities for a one-year term, at the same rates than were previously approved. This application was published for

comments in the Government Gazette and other media on 23 May 2014. Letters of support were received from directly affected groups, however, the Winter Cereal Trust objected to the proposed levy term of only one (1) year. The Board of Trustees was of the opinion that the levy period should not be restricted to one (1) year as this could create an atmosphere of uncertainty and distrust amongst role players in the industry.

On 11 June 2014, the NAMC referred the opinion of the Winter Cereal Trust's Board of Trustees to the applicant, the Wheat Forum. Diverse responses were received from the different members with regard to the NAMC's request to reconsider the levy term. The Wheat Forum Steering Committee met on 10 July 2014 to discuss this matter and resolved to amend the period for which the previous application was made from one (1) year to two (2) years. However, the amounts of the different levies applied for were to remain the same as in the initial application.

The NAMC supported the application for winter cereal statutory levies and its recommendation and draft Notices were sent to the Minister on 4 August 2014. The Minister finally approved the implementation of these statutory levies on 4 November 2014 after which it was promulgated in the Government Gazette of 11 November 2014.

# 18. Winter cereal statutory measures (appointment of inspectors)

On 25 July 2012, the Minister authorised and designated three persons as inspectors, to perform the functions associated with the inspection of persons responsible for the payment of statutory levies on winter cereals that were implemented for four (4) years and lapsed on 30 September 2014. The Winter Cereal Trust requested that the Minister again authorise and designate the same three persons as inspectors for the new levy term of two (2) years. The NAMC's recommendation was sent to the Minister on 10 March 2015. By the end of March 2015, the Minister's decision in this regard was still outstanding.

# Other investigations during the 2014/15 financial year:

# 1. Banana Growers' Association

On 12 September 2014, the Banana Growers' Association (BGA) informed the NAMC on the following issues regarding the Joburg Fresh Produce Market (JFPM):

- Lack of maintenance of the infrastructure on the JFPM (cooling and ripening facilities that are out of order and that the backup generators are not operational).
- That direct marketing/trading taking place on the market resulting in sales not reflecting on the sales system.

On 26 November 2014 a letter was send to the JFPM. No feedback was received as yet (it is being followed up). Furthermore, the matter was also brought to the attention of the Rebirth of Markets Working Group. Discussions with the BGA are also taking place.

# 2. NAMC Transformation Guidelines

In July 2014 the NAMC approved new transformation guidelines which levy administrators should follow to allocate the 20 % of statutory levy income earmarked for transformation activities. In terms of this new transformation guidelines, levy administrators should submit on an annual basis, three (3) months before the start of their financial year, a business plan regarding their

transformation activities envisaged for the following financial year, to the NAMC for comments and input. Six (6) months after a specific financial year, levy administrators should report on its actual transformation activities, by comparing their activities with the budget for that financial year. By the end of 2014, the NAMC established an internal Transformation Review Committee (TRC) to evaluate the different transformation business plans and to give direction to levy administrators if and when necessary.

### 3. Status Report on Statutory Measures – 2013 survey

During the 2014/15 financial year, the NAMC compiled the Status Report on Statutory Measures – 2013 survey. In January 2014, the NAMC started the process to compile the report by sending out questionnaires to administrators of statutory measures in order to obtain information regarding the status of statutory measures administered by them. By the end of June 2014, the NAMC received most of the completed questionnaires from administrators of statutory measures. In December 2014, the NAMC Secretariat finalised the process to compile the report regarding the Status of Statutory Measures (2013 survey). Copies of the report were sent to the Minister of Agriculture, Forestry & Fisheries, DAFF and the Portfolio Committee for Agriculture.

### Statutory Measures promulgated during the 2014/15 financial year:

	Date	Notice no	Description
1	17 April 2014	No. R.290	Pork – registration of role players
2	17 April 2014	No. R.291	Pork – records & returns
3	17 April 2014	No. R.292	Pork – statutory levies
4	25 April 2014	No. R.310	Sorghum – statutory levies
5	11 November 2014	No. R.901	Winter cereal – statutory levies
6	11 November 2014	No. R.897	Red meat – statutory levies
7	11 November 2014	No. R.898	Red meat – registration of role players
8	11 November 2014	No. R.899	Red meat – records & returns
9	14 November 2014	No. R.880	Macadamias - registration of role players
10	14 November 2014	No. R.881	Macadamias - records & returns
11	14 November 2014	No. R.882	Macadamias - statutory levies
12	14 November 2014	No. R.883	Lucerne – statutory levies
13	14 November 2014	No. R.884	Grain products – records & returns
14	14 November 2014	No. R.885	Grain products – registration of role players
15	30 January 2015	No. R.51	Deciduous fruit - registration of role players
16	30 January 2015	No. R.52	Deciduous fruit - records & returns

### **Summary of Statutory Measures**

The following table summarises the statutory measures that were applicable in the South African agricultural sector during the 2014/15 financial year:

		St	atutory Measu	res
INDUSTRY	Administration body	Statutory levy	Records and returns	Registration
Citrus exported	Citrus Growers' Association (CGA)	$\checkmark$	$\checkmark$	$\checkmark$
Cotton	Cotton SA	$\checkmark$	$\checkmark$	$\checkmark$
Dairy	Milk SA	$\checkmark$	$\checkmark$	$\checkmark$
Deciduous fruit	HORTGRO Services		$\checkmark$	$\checkmark$
Dried fruit	Dried Fruit Technical Services	$\checkmark$	$\checkmark$	$\checkmark$
Fynbos (proteas)	HORTGRO Services	$\checkmark$	$\checkmark$	$\checkmark$
Grains (maize, oilseeds, sorghum, and winter cereals)	South African Grain Information Service (SAGIS)		v	$\checkmark$
Lucerne	National Lucerne Trust		$\checkmark$	$\checkmark$
Macadamias	Southern African Macadamia Growers' Association (SAMAC)	$\checkmark$	√	$\checkmark$
Mangoes	Subtrop	$\checkmark$	$\checkmark$	$\checkmark$
Milk	Milk Producers' Organisation		√	$\checkmark$
Mohair	Mohair SA		√	$\checkmark$
Olives	SA Olive		$\checkmark$	$\checkmark$
Pecans	SA Pecan Producers' Association		√	$\checkmark$
Pork	SA Pork Producers' Organisation	$\checkmark$	$\checkmark$	$\checkmark$
Potatoes	Potatoes SA		$\checkmark$	$\checkmark$
Poultry and eggs	Southern African Poultry Associ- ation	$\checkmark$	√	$\checkmark$
Red meat	Red Meat Levy Admin	$\checkmark$	√	$\checkmark$
Sorghum	Sorghum Trust	$\checkmark$		
Table grapes exported	SA Table Grape Industry	$\checkmark$	$\checkmark$	$\checkmark$
Grapes and grape juice intended for the production of wine	SA Wine Information and Systems (SAWIS), Wine Industry Network of Expertise and Technology (Winetech), Wines of South Africa (WOSA)	$\checkmark$	v	V
Winter cereals	Winter Cereal Trust	$\checkmark$		
Wool	Cape Wools SA		√	$\checkmark$

### Table 1: Statutory measures applicable during the 2014/15 financial year

### STATUTORY LEVIES COLLECTED

The NAMC reviews statutory measures on an annual basis. The 2013 survey regarding statutory measures was completed in December 2014. As part of the 2013 survey, the NAMC received the latest audited financial statements as submitted by the relevant levy administrators – the financial year end for each levy administrator could differ from each other. Table 2 indicates the levy income, the value of products at the first point of sale (as provided by levy administrators), levy income as a percentage of the value of the product and the levy collection rate for the different commodities captured for the 2013 survey.

### Table 2: Total Amount of Levies Collected

Product	Levy income	Total value of product at the first point of sale *	Levy income as a percentage of the value of the product	Levy collection rate
	R	R	%	%
Citrus (exported)	39 452 963	7 000 000 000	0.56	100.00
Cotton lint	2 414 809	176 000 000	1.37	100.00
Dairy products	32 019 779	9 754 000 000	0.33	106.10
Deciduous Fruit		9 625 094 975	0.80	
- Pome and stone fruit	39 033 210			96.00
- Fruitfly Africa	18 453 944			92.00
- Market Development	19 173 854			96.00
Dried fruit	4 646 362	569 626 735	0.82	96.00
Fynbos (proteas)	308 634	36 742 690	0.84	94.00
Lucerne	1 328 644	268 898 000	0.50	75.00
Mangoes	709 436	84 000 000	0.84	65.00
Olives	1 101 401	43 620 124	2.52	40.49
Pork	18 071 010	3 786 000 000	0.48	103.3
Pecans	1 036 000	624 000 000	0.17	97.00
Potatoes	33 754 684	7 500 000 000	0.45	98.75
Poultry	20 985 104	41 510 000 000	0.05	94.81
Red meat	27 431 309	20 185 000 000	0.14	98.80
Sorghum	1 501 813	350 000 000	0.43	70.05
Table grapes	19 381 060	4 200 000 000	0.46	99.53
Wine	75 246 149	4 131 400 000	1.82	100.00
Winter cereals	53 020 498	7 212 409 000	0.74	97.36
TOTAL	R 409 070 663	R 117 056 791 524	0.35	

### Levy income

The total levies collected as part of the 2013 survey amounted to R409,1 million, which is 10.0 % more than the R371,9 million reported as total levy income in the previous 2012 survey. The poultry statutory levies officially lapsed on 8 October 2013, in other words they only collected the statutory levy for nine months of their 2013 financial year. This resulted that for the 2013 survey, they only collected approximately R21,0 million compared to the approximately R26,9 million in the 2012 survey.

### Value of agricultural products at first point of sale

The NAMC has to obtain the value of the products at the first point of sale in order to determine the level of statutory levies. Section 15(4)(a) of the MAP Act stipulates that a statutory levy must not exceed 5 % of the price realised for a specific agricultural product at the first point of sale. The maximum of 5 % is based on a guideline price, calculated as the average price at the first point of sale over a period not exceeding three years.

For the 2013 survey, the total levy income as a percentage of the value of agricultural products at the first point of sale is approximately 0.35 %.

### Levy collection rate

The average collection rate of all products is approximately 92,3 %. It must be mentioned that it was mainly the smaller industries which achieved a relative low collection rate. These industries are lucerne (75 %), mangoes (65 %), olives (40 %) and sorghum (70 %). Especially the olive industry experienced difficulty to collect the statutory levy on imported olive oil, but they are in the process of addressing this problem. It must also be mentioned that the mango and olive industries do not have a long history of statutory levy collection and it is assumed that over time, their collection rate will improve.

### DISCONTINUATION OF STATUTORY MEASURES

Since the promulgation of the MAP Act, more and more industries applied to the Minister for the approval of statutory measures. The first two statutory measures which were approved in terms of the MAP Act, was the sorghum statutory levy on 8 May 1998 and the winter cereal statutory levy on 1 October 1998. Although statutory measures are only approved for a maximum period of four (4) years, industries that make use of statutory measures, normally apply to the Minister for the continuation of statutory measures, with the result that statutory measures could be applicable in a specific industry for a very long period of time. For example, the sorghum statutory levy is now in existence for almost sixteen (16) years, after they requested on a number of occasions (a few months before the expiry date) for the continuation of these statutory levies. For some reason or another, commodity organisations could also decide not to apply for the continuation of statutory measures. In November 2010 the Minister approved a grapefruit export promotion statutory levy, for a period of two (2) years, to finance export promotions. This grapefruit statutory levy lapsed on 25 November 2012, but the grapefruit industry decided not to apply for the continuation of this statutory levy. For the financial year ended 31 March 2012, the grapefruit industry collected R5 761 619,00 through statutory levies for export promotions. Recently, the poultry statutory measures, after four (4) years since implementation, lapsed on 9 October 2013. Also in this case, the poultry industry, the biggest agricultural industry in South Africa, decided not to apply for the continuation of these statutory measures.

The NAMC is of the opinion that statutory measures could have major benefits for the development of a particular agricultural industry and that all directly affected groups should participate to create an enabling environment for more industries to make use of statutory measures. It is not foreseen that more and more industries will stop using statutory measures, unless the implementation of unfriendly policy decisions motivates them to do so.

### ALLOCATION OF STATUTORY LEVIES

For the 2013 survey, the total expenditure was approximately R421,6 million, which is 13.2 % more than the R372,5 million reported in the 2012 survey. The allocation of statutory expenditure to the various functions is set out in Table 3 below.

Functions	Amount spent R	% of Total Levy Expenditure 2013	% of Total Levy Expenditure 2012	% of Total Levy Expenditure 2011
Administration	23 382 174	6	5	6
Transformation	97 857 656	23	23	23
Export promotion & market access	61 125 753	14	16	15
Research	129 488 083	31	29	27
Information and Industry liaison	42 289 121	10	11	10
Production development	2 885 571	1	2	1
Plant improvement	4 732 794	1	1	2
Quality control	18 024 456	4	5	4
Local promotion and consumer education	41 781 397	10	8	12
TOTAL LEVY EXPENDITURE	R 421 567 208	100	100	100

### Table 3: Functions to be financed through statutory levies

### **ADMINISTRATION**

The NAMC has implemented a guideline that not more than 10 % of levies collected should be used for administrative purposes. On average, approximately 6 % (R23,4 million) of levies collected was spent on administration, which is below the guideline of not more than 10 %.

### **INFORMATION**

Approximately 10 % (R42,3 million) of total levy expenditure was allocated to the information function. Accessible, accurate market information that is regularly and timeously available not only increases market access but also promotes efficiency in the marketing of the specific agricultural product. It also contributes to the optimisation of export earnings and enhances the viability of the relevant agricultural industries and the agricultural sector at large. Market information is essential for all role players in a deregulated marketing environment if they are to make informed decisions and if the market is to operate effectively. Without a continuous stream of proper, accurate and timeous market information, the market will not develop as it should and role players, including emerging farmers, will not be able to participate on an equal footing.

### RESEARCH

The satisfactory performance of the South African agricultural sector, despite the lack of high-potential arable land and the low rainfall, can be attributed to a great extent to the development and application of agricultural research. Approximately 31 % (R129,5 million) of total levy expenditure was spent on research projects in the 18 industries that collected levies. Some of the industries are doing or initiating their own research, but a major portion of the R129,5 million was made available to the Agricultural

Research Council (ARC) to undertake research in the agricultural sector, in consultation with the industries concerned.

### TRANSFORMATION

Before August 2005, the NAMC's guideline was that at least 10 % of levy income should be used to the benefit of previously disadvantaged individuals. In an attempt to increase the amount spent on transformation, the NAMC changed the guideline in August 2005 to require that approximately 20 % of levy income should be used for transformation purposes. According to the 2013 survey, the total amount spent on transformation projects was approximately R97,9 million, compared to the approximately R83,7 million spent on transformation in the 2012 survey – an increase of 17,0 %.

During the 2013/14 financial year, the NAMC started the process to amend its existing transformation guidelines which were adopted in 2007. On 28 May 2013 the NAMC Council gave a directive to its Secretariat to investigate possible alternatives regarding the administration and utilisation of the 20 % portion of the statutory levy funds, which is meant for transformation. The request was made as a result of other directly affected groups' opinion that the current system that industries are following is not yielding the desired results.

In order to provide the industries with the opportunity to make inputs regarding the administration and utilisation of the 20 % portion meant for transformation, the NAMC Secretariat arranged a series of meetings in the second half of 2013 with some representatives of industries. Two options were proposed to the industries, namely –

**Option 1:** That levy administrators submit on an annual basis, three (3) months before the start of their financial year, a business plan regarding their transformation activities envisaged for the following financial year, to the NAMC for comments and inputs. As part of their annual business plan, levy administrators should compile customised guidelines with key measurable outcomes for transformation. Within six (6) months after a specific financial year, levy administrators should report on its actual transformation activities, by comparing their activities with the budget for that financial year.

**Option 2:** That levy administrator's transfer the 20 % portion of their statutory levy income, earmarked for transformation, to an independent third party. To ensure that some of the existing transformation projects could continue, levy administrators will be allowed to apply to the established independent third party for funds to pay for these activities.

The NAMC Secretariat also proposed that the NAMC should arrange a workshop with the levy administrators to discuss and clarify the proposed two options for the utilisation of the transformation funds. On 12 March 2014, the NAMC held a workshop to discuss the two options with directly affected groups. From the conclusion drawn from the workshop, the NAMC, guided by the seven pillars of the AgriBEE Sector Code, proposed a list of the activities that could be funded with the transformation funds as well as a list of activities that are not regarded as transformation activities. It must be noted that, due to the nature of levy funds, some of the pillars of the AgriBEE Sector Codes cannot necessarily be funded, eg. employment equity, since their definitions are broader than the scope of the levy funds.

### Activities regarded as transformation

Pill	ar	Activities (examples)	Percentage
1.	Enterprise development	<ul> <li>Production material/inputs</li> <li>Extension services</li> <li>Mentorship</li> <li>Soil preparations</li> <li>Accreditation (certification for accessing export markets)</li> <li>Market facilitation (Assist smallholder farmers to access the markets)</li> <li>Business plan development</li> <li>Industries to assist black farmers to gain access to finance</li> <li>Bursaries</li> <li>Farmers and other role players in value chain</li> <li>Farm workers (if motivated properly due to AgriSETA cuts)</li> </ul>	More than 50 %
3. 4.	Employment equity Management control	<ul><li>To promote employment equity in the workplace</li><li>Salaries for Transformation Managers</li></ul>	1
5.	Preferential procurement	Procuring from Black owned enterprises/     businesses	Approximately
6.	Socio Economic Development	<ul> <li>Provision of good housing, clean water, sanitation, electricity, recreation facilities and health care programmes</li> </ul>	30 %
7.	Ownership	Increase the number of Black people to participate in the economy.	

### Activities not regarded as transformation:

- General research, information and promotion activities;
- Scale neutral activities; and
- Training of workers (funded by AgriSETA).

### **Option 2 (Independent third party)**

In future, the NAMC will also reconsider Option 2 in specific circumstances (the transfer of the transformation funds to an independent third party) to facilitate transformation activities within a specific industry. For example, to transfer all transformation funds to the Grain Farmer Development Association (GFADA) to be responsible for transformation activities in the grain industries, provided that GFADA also adhere to the NAMC's generic transformation guidelines.

### Adoption of new transformation guidelines

Eventually, the new transformation guidelines were deliberated and adopted by the NAMC Council on 29 July 2014.

### **EXPORT PROMOTION**

A total amount of approximately R61,2 million was spent on export promotion. For example, Wines of South Africa (WOSA) is promoting South African wine on the overseas markets. WOSA has offices in Canada, Germany, Denmark, Sweden, The Netherlands, the United States (US) and the United Kingdom (UK), and participated in international wine shows. Other industries, such as the citrus, deciduous fruit and potato industries, are also promoting their commodities in overseas markets.

### LOCAL PROMOTION

The dairy, pork and the poultry industries spent 47 %, 51 % and 25 % respectively of total expenditure on promotion activities in the local market. On 16 August 2005, the NAMC held a workshop with levy administrators to discuss the desirability of generic promotions. The outcome was a decision that generic promotions should continue with provided that there was sufficient support within a specific industry. It was also agreed that these promotions should, in future, be referred to as the promotion of "consumer awareness".

During 2010, the NAMC investigated the economics and impact of generic promotion on agricultural commodities that are funded by statutory levies. According to the study, generic promotion could have positive effects, but it is only one of many factors affecting the demand for agricultural products. The rationale for generic promotion is particularly strong where there are large numbers of producers responsible for a generally homogeneous agricultural product, and individual producers are unable to differentiate and promote their own products. This rationale diminishes where relatively few producers are producing a product or where the product is not homogenous and is easy to differentiate. The specific objectives of generic promotion are to increase sales or to contain reductions at given prices, to augment prices or at least to contain reductions, and to induce consumer loyalty.

### AGRICULTURAL PRODUCTS SUBJECTED TO STATUTORY LEVIES

Table 4 provides information about agricultural products which are subjected to statutory levies, based on the gross value of the individual agricultural products. (Source: DAFF 2014 Abstract).

### Table 4: Agricultural products subjected to statutory levies

	Products levied	Percent- age levied	Products not levied	Percentage not levied	Total R ' million
	R ' million	age levied	R ' million	not levied	K million
Cotton	68		K million		
Sorghum	452				
Winter cereals	6 338				
Lucerne seed and hay	4 494				
Maize			24 681		
Sugar cane			6 707		
Oilseeds			7 259		
Other			1 784		
Sub-total	11 352	21.9	40 431	78.1	51 783
Citrus	7 925				
Deciduous and dried fruit	12 680				
Mangoes	80				
Potatoes	5 547				
Viticulture	4 277				
Vegetables			10 230		
Other			5 743		
Sub-total	30 509	65.6	15 973	34.4	46 482
Dairy	11 645				
11.6. Red meat	22 806				
11.12. Pork	3 721				
Poultry and eggs	39 913				
Other			6 526		
Sub-total	78 085	92.3	6 526	7.7	84 611
TOTAL	R 119 946	65.6	62 930	34 4	182 876

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2012/13 is estimated at R182,9 billion, compared to R164,2 billion in the previous year – an increase of 11,4 %. This increase can be attributed mainly to an increase in the value of poultry products, but in general, the gross value of the majority of all individual agricultural products showed a steady increase. According to Table 4, approximately 65,6 %

**Field crops** 

Horticulture

Animal products of all agricultural products, in terms of the gross value of the individual products, are subjected to a statutory levy. If the statutory measures relating to registration, records and returns are included, 83,1 % of all agricultural products in South Africa (in terms of their gross value) make use of statutory measures.

These two figures (65,6 % and 83,1 %) could decrease significantly in the 2014 survey (to approximately 43,8 % and 61,2 % respectively), because the poultry statutory measures lapsed in October 2013 and the poultry industry decided not to apply for the continuation of these statutory measures.

It is also clear from Table 4 that directly affected groups involved with animal products are more inclined to make use of statutory levies: 92,3 % of animal products, in terms of gross value, have statutory levies. The maize industry, which is the second largest agricultural sector after the poultry industry, with a gross value of R24,7 billion, does not use statutory levies because it has sufficient funds in the Maize Trust. These funds were transferred from the former Maize Board and are used to finance generic functions in the maize industry. Only 21,9 % of field crops have a statutory levy – taking into consideration the situation regarding maize and the fact that the sugar industry is collecting funds in terms of other legislation.

The gross value of animal products, horticultural products and field crops contributed 47 %, 25 % and 28 % respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 21,8 %, followed by the maize industry with 13,5 % and then by cattle and calves slaughtered with 10,2 %.

### FOCUS OF TRANSFORMATION PROJECTS FUNDED BY STATUTORY LEVIES

As part of the 2013 survey regarding the status of statutory measures, levy administrators were also requested to indicate where their transformation projects had the highest impact – a number of seven options were provided and they were requested to tick a maximum of three options. The seven options were as follows:

- Mentoring
- Access to inputs
- Access to credit
- Provide for infrastructure
- Access markets
- Provision of technology and extension services
- Provision of agricultural educational opportunities to black role players.

### Levy administrators responded as follows:

Industries	Mentoring	Access to inputs	Access to credit	Provision of infrastructure	Access to markets	Extension services	Educational opportunities
Citrus	х					х	х
Cotton	х				х	х	
Dairy	х						х
Deciduous fruit	х				х	х	
Dried fruit	х	х		Х			
Fynbos (proteas)	х	×				х	
Lucerne	х	х			х		
Mangoes						х	
Pecans	х		Х			х	
Pork	х				х	х	
Potatoes	х	х				х	х
Poultry	х					х	
Red meat	х	х			Х	х	
Sorghum	Х		Х			Х	
Table grapes			Х	Х			Х
Wine	Х				Х	Х	Х
Winter cereal	Х					Х	Х

From the above it is clear that levy administrators mainly spent transformation funds on mentoring and extension services. Assistance relating to access to credit and provision of infrastructure received much less attention and are not to a great extent funded by statutory levies. The assumption is made that other institutions need to come to the table in order to provide a complete package to develop black producers to its full potential.

### STATUTORY LEVIES IN AGRI BENCHMARK COUNTRIES

As part of the 2013 survey, the NAMC analysed the statutory levy situation in Agri Benchmark countries (a group of 30, mostly developed countries). A number of 15 countries responded to the questionnaire sent by the NAMC. The overwhelming majority of these countries (87%) are also administering statutory levies in order to collect funds to finance generic functions in the relevant agricultural industries. Some of the other findings, include the following:

- In some of the bigger, welldeveloped countries, a major portion of agricultural production is subjected to a levy. Some of these countries and the extent of levies are as follows
  - o Australia (approximately 95 % of agricultural production)
  - o Brazil (close to 100 %)
  - o Canada (approximately 80 %)
  - o France (approximately 90 %)
  - o New Zealand (approximately 80 %)
  - o United Kingdom (approximately 75 %)
  - o United States of America (approximately 75 %)
- The general trend is that levies are used to finance functions such as research, information, local promotions and export promotions.
- In almost all the counties, the level of levies is less than 1 % of the price of the agricultural product at the first point of sale.
- In an attempt to determine who responsible (government or commodity organisations) is for the administration of levies in the different countries, one could conclude that this role is evenly spread between government and commodity organisations.

After studying levies in Agri Benchmark countries, the assumption could be made that South Africa's statutory levy system is very much in line with what is happening in the biggest and most well-developed countries in the world. One could even make the assumption that the way in which the NAMC report on statutory levies to the Minister is unique and could not be found elsewhere in the world.

The Canadian representative mentioned that their National Check-Off Agency for the beef industry is actually looking at alternative models and would be very interested in a summary of the NAMC's survey if we are willing to share it. A summary was sent to them.

### PROGRAMME 4: AGRICULTURAL TRUSTS

### AGRICULTURAL INDUSTRY TRUSTS

The Agricultural Trusts Division mandate is to facilitate the communication process between the Agricultural Industry Trusts and the Minister of Agriculture, Forestry and Fisheries (DAFF). On an annual basis, the Agricultural Trusts Division prepares submissions to the Minister for the nominations of Ministerial Trustees to sit on the respective trusts. Furthermore the NAMC also sits on the Industry Board of Trustees as observer and our role is to ensure that the transformation agenda of government is prioritized as well as ensuring that assets of the trusts are used effectively and efficiently as per the trusts deeds. Under the period review, the division outlines it's activities for the year, more specifically the meetings attended by the Ministerial Trustees as well as the Agricultural Industry Trusts division.

### APPOINTMENT AND INDUCTION OF NEW MINISTERIAL TRUSTEES

During the period under review, the term of office for Trustees in the Sorghum, Maize, Deciduous Fruit Industry Development Trust, Meat Industry Trust and Citrus Trusts ended. Submissions with the proposed names of new Trustees were prepared for the respective trusts. The submissions were presented to the Council for comments and approval. After approval by Council, submissions were prepared for the Minister of Agriculture, Forestry and Fisheries for final approval.

In the previous financial year, the Minister for Agriculture, Forestry and Fisheries appointed six (6) new Trustees, namely Mr. Neo Masithela, Ms. Johlene Ntwane, Mr. Andrew Makenete and Mr. Willem Pieterse to represent the Minister in the Winter Cereal Trust, Ms. Connie Seoposengwe in the Oil and Protein Seeds Development Trust and Ms. Patricia Motlogeloa in the Citrus Trust. On 15 May 2014, the NAMC conducted an induction workshop for the new Trustees. The purpose of the induction was to orientate the Trustees on the mandate while performing their duties on the Trust. On 3 February 2015, we conducted an induction for the newly appointed Ministerial Trustees at the NAMC offices. The induction covered the following concepts; the background of Industry Trusts, challenges and the Service Level Agreement (SLA). The Trustees were given an opportunity to express themselves and also ask questions. The SLA was signed by the respective Trustees. The three (3) Ministerial Trustees managed to attend the induction workshop:

Mr. Alex Sithole Citrus Industry Trust Ms. Nokukhanya Mahlati Maize Trust Mr. Mike Mlengana Meat Industry Trust

### **CAPACITY BUILDING OF TRUSTEES**

On 20 and 21 November 2014, Abenzi Investment Holdings (Pty) Limited, in association with Alcad Management CC, presented a two day Trustee Corporate Governance training programme for the Ministerial Trustees which was in Pretoria (NAMC). The training covered the Global History of Corporate Governance; The Value of Good Corporate Governance; The Imperatives for Successful Leadership in Turbulent Economic, Social and Political Times; Corporate Policies and Frameworks; Risk Management Expectations; The Role of a Director; Strategic Planning and Implementation; Basic Accounting for Small, Micro and Medium Enterprises (SMME's); Tax Requirements and Compliance; and The Price of Poor Corporate Governance.

### **REPORTS**

### **Status Reports**

The Agricultural Trusts Division prepared two Status Reports on the Agricultural Industry Trusts

(AIT) for the financial year 2013/14 and National Red Meat Development Programme (NRMDP) for the year 2014. The NAMC produces the annual Status Report on Agricultural Industry Trusts to advice the Minister of Agriculture, Forestry and Fisheries on the current operations of our respective twelve (12) Trusts, financial performance, current projects performance and new projects implemented.

For the first time, the programme has developed a Status Report that details the general background of the Red Meat Industry, the strides that the NRMDP has done to address some of the challenges faced by rural communal livestock farmers in the Eastern Cape, Kwa-Zulu Natal and most recently Northern Cape. The report further highlights the successes the programme have achieved and what more still needs to be done.

### **Beef Indaba Report**

On 2 and 3 December 2014 the Annual Beef Cattle Indaba was organised by the National Agricultural Marketing Council (NAMC) through the National Red Meat Development Programme (NRMDP). The Indaba was held in Sakhisizwe Local Municipality, Elliot and Ikhephu feedlots. Like in the previous years, the Indaba continued to attract leading government personalities and in 2014, the General Secretary of the African National Congress (ANC), Mr Gwede Mantashe and Chief Director : CASP (DAFF) Ms Elder

### Mtshiza, attended the Indaba. **PROGRAMME 5: AGRIBUSINESS DEVELOPMENT**

### INTRODUCTION

In the 2014/2015 financial year, the NAMC continued collaborating with both public and private institutions to design and facilitate the implementation of programmes that aimed at supporting small holder farmers to increase their market access, encourage new business development and capacitating historically disadvantaged individuals in the agricultural sector. In addition to other government policies, three (3) of the four (4) objectives of the MAP Act provide guidance to the Agribusiness Development division in designing its programmes. That is;

- (a) Increasing of market access for all market participants;
- (b) The optimisation of export earnings from agricultural products; and
- (c) The promotion of the efficiency of the marketing of agricultural product

The performance of the NAMC's Agribusiness Development division for the 2014/2015 financial year is presented below.

### **DEVELOPMENT SCHEMES**

The NAMC continued to design and facilitate the implementation of development schemes with both private and public instituitions. The schemes are designed and implemented to uplift the black producers in the agricultural sector and to encourage their integration into the commercial mainstream. The following schemes were implemented across all provinces.

### Vineyard Development Scheme

The NAMC continued the implementation of the Vineyard Development Scheme in the Northern Cape province in partnership with the Northern Cape Department of Agriculture, Land Reform and Rural Development. The aim of the project is to establish 500 ha of wine, raisins and table grapes in the Northern Cape Province. The scheme is focusing on three (3) commodities,

viz: raisins, wine grapes and table grapes. The current status of the Vineyard Development Scheme has been expanded from four (4) projects to nine (9) projects. For the current financial year, 59,14 ha of raisins and 13 ha of wines grapes have been planted while 40 ha is under soil preparation for raisins.

During this reporting period, the NAMC attended four (4) quarterly meetings with stakeholders to track progress on project activities, which among other things included, soil preparation, the supply, delivery and installation of trellis material, irrigation material, machinery and equipment to support the farms that are part of the scheme in the province. The NAMC has also presented the Monitoring and Evaluation tool to be adopted for this project.

### National Red Meat Development Programme (NRMDP)

### Eastern Cape Province: Umzimvubu Custom Feeding Programme

This 80 animal facility is the second one to be built in the province after the initial Custom Feeding Program (CFP) in Ngqushwa. The facility was built as a joint venture between the then ComMark Trust and WBHO in 2008. WHBO constructed Phase 1 of the Mount Frere and Matatiele, and through it's CSI injected R2,8 million into the Eastern Cape Red Meat Project. This CFP continues to sell all its livestock into the informal market with prices ranging from R7 500,00 to more than R11 000,00. The facility has had three staggered intakes in 2014/15 and sold 200 animals for the sum of R1,1 million.

### Eastern Cape Province: Fort Cox Custom Feeding Programme

This facility came into operation in 2009 after the NAMC and Fort Cox College signed a MoU to assist the Nkonkobe farmers (the Ngqushwa CFP was moved to the college when the program could not secure land within the Ngqushwa municipality). The facility is using college livestock pens and has a capacity of up to 60 animals. In the long term this facility would have to find its own land and build a facility that can take up more animals.

### Eastern Cape Province: Ncorha Custom Feeding Programme

This facility was built by the Chris Hani District Municipality (2007) and the NAMC started operating it in 2010 after being requested to do it by the Ncorha Community. The recent renovation (funded by Chris Hani District Municipality) has ensured that the facility has a capacity of up to 540 animals depending on their age and horn status. The facility hosted the Minister of Rural Development and Land Reform, Honourable Gugile Nkwinti during the Beef Cattle Farming Indaba held in Intsika Yethu Local Municipality on 21 November 2013. The facility has generated R750 000,00 on cattle sales so far.

### Eastern Cape Province: Gxwalubomvu Custom Feeding Programme

This is one of the new CFP facilities that has been built through the funds from Chris Hani District Municipality. The district transferred funds to the Intsika Yethu Local Municipality and the NAMC had to assist with the whole process. The facility has a total capacity of 540 herd of cattle subject to the live mass and horn status - calculated at 10 square meters per animal. The limiting factor for each intake depends on the feeding space - the animals must be able to feed without disturbing each other's feeding routine. The facility was launched locally by the Chris Hani District Municipality (15 April 2014) having had its first intake in the beginning of April. The animals were into their second month of feeding with one having been bought in the beginning of May 2015, having just been fed for a month (selling price R7 500,00). The facility has 40 animals for its first intake with about 8 weapers.

### Eastern Cape Province: Kamastone Custom Feeding Programme

The Kamastone facility has been built on land that has been donated by the Methodist Church to the community of Kamastone, Mchewula, Engxovini, Sammy, Phelandaba, Didimana, Roman and Zanggokhwe. A total of about 10ha was available for use especially the planting of cultivated pastures for roughage production. The facility is about to be completed with its first intake planned for the end of June 2015. This facility will be beneficial for the farmers in the area as the winters are often harsh and severe. It's not too uncommon for animals to die from lack of grazing. It is a 540 capacity facility depending on the age and the horn status of the animals. Funds were transferred by the Chris Hani District Municipality into the Zulukama Development Trust. The NAMC provides oversight and once completed the facility will be incorporated into the Red Meat Production programme.

### Eastern Cape Province: Lower Hukuwa Custom Feeding Programme

This is the second facility that falls under the Zulukama Development Trust and is being built with funds leveraged from the Chris Hani District Municipality. This 540 capacity structure will serve the villages of Hukuwa, Nqobokeni, Mtha, Thambo, McBride Ngojini, Mbekweni, Zweledinga, Hackney, Musa and Mthwakazi. These villages are already part of a livestock auctioneering and thus it's easy for the farmers to upgrade.

### Eastern Cape Province: Lahlangubo Custom Feeding Programme

This CFP facility is located in the Engcobo local municipality having been requested by well organised communal farmers of and around Lahlangubo village. The CFP will serve the bulk of the Engcobo livestock farmers. The setup funds were provided by Chris Hani District Municipality as part of the partnership agreement between the district and the NAMC. The facility is planned to start operating from the end of June. Together with all the facilities located within the Chris Hani District Municipality this paves the way for the Chris Hani District Municipality Red Meat Production Centers. These three facilities require boreholes for them to be fully operational and quotations have been received. The whole process will be completed by the end of March 2015.

### Eastern Cape Province: Ikhephu Feedlot Programme

This 500 capacity facility is the first proper feedlot in the Eastern Cape and is built to accommodate weaners. The feedlot is meant to fatten stock from the 156 farmers under the Ikhephu Secondary Co-op. The farmers have their own farms and thus it can be safely said that it is meant to operate at a commercial level from the onset. The facility was launched by the Honourable President Jacob Zuma on 11 April 2014. The facility has been linked to the Eastern Cape Jobs Fund application in partnership with Berlin Beef.

### KwaZulu-Natal: Mhlumayo Custom Feeding Programme

The facility is home to Siyaphambili and Ikusasa Lemfuyo Livestock Association and has a pool stock of 66 dipping tanks and about 48 000 cattle. The facility has sold 10 cattle before they could complete the 90 day period. The CFP has a cohort of 60 cattle so far and will have 120 animals when the borehole installation is complete. The facility is due for launch depending on the availability of the Rural Enterprise and Industry Development (REID) Deputy Director-General (April/May 2015 ideally).

### Northern Cape: John Taolo Gaetsewe Custom Feeding Programme

The CFP is currently feeding 130 weaners and 2 tollies in a make shift structure whilst the proper structure is being built. The Ga-Segonyana Local Municipality has donated 5 ha of land to the farmers. The weaners will be ready for the market as from the end of March 2015.

### Limpopo Province: Tubatse Custom Feeding Programme

The land was allocated to the programme and cattle that will form part of the Red Meat Programme. A request for quotations to construct the facility in partnership with Sekhukhune Development Agency (SDA) has just been completed. It's been a challenge to obtain suitable quotes from the area and eventually the Sekhukhune Development Agency finally assisted in the processes. A total of R900 000,00 (materials and construction costs) will be used to construct the facility. The numbers of short term jobs to be created during the construction will be more or less 30 with each worker earning a minimum of R100,00 a day.

### Eastern Cape Province: Ngangegqili Custom feeding programme

The NAMC has entered into a partnership with ASPIRE (Amathole District Municipality Development Agency) for the setting up of the Ngangegqili CFP. This CFP is a combination facility as it will have a cattle and small stock (sheep and goats) section. The facility is 80 % complete and will be operational by April 2015. The facility is co-funded by ASPIRE and already attracted the interest of Agri-SETA, Eastern Cape Public Works and WR-SETA. Agri-SETA will fund learnerships aimed at youth and women which will be linked to the facility. The Roads and Public Works Department will develop the road infrastructure to and from the facility as to ease the transportation. So far the construction has created 27 short term jobs with each person earning R100,00 a day.

### Eastern Cape Province: Ngqushwa Beef programme

The initial Red Meat programme followed by the first Custom Feeding Programme (2008) was launched in 2005 in the Ngqushwa municipality. Though the NAMC has been extending the programme into the other areas of the Eastern Cape and other provinces, the Ngqushwa farmers have been very consistent in marketing their livestock. The Loverstwist Auction pen is one of the best performing auction pens being aptly referred to as the "Bedford "of the developing area, marketing an average of 160 animals per auction. The biggest bottleneck in this area is that the farmers continue being price-takers and selling animals at farm gate prices. The NAMC has partnered with ASPIRE to upgrade livestock farming in the area and develop value adding processes through feeding and slaughtering. A business plan is being drawn up for the Ngqushwa Beef development process.

### Eastern Cape Province: Nyandeni Custom Feeding Programme

This cattle and small stock facility was built with funds that were leveraged from Anglo American through the Mngcunube programme. The NAMC was then approached by the former MEC for the Eastern Cape Department of Rural Development and Agricultural Reform (ECDRDAR) to assist with its completion and operation. The facility is the brainchild of Inkosi Bokleni after having seen the Umzimvubu CFP. The NAMC is in the process of finalising the outstanding work as to render the facility active. The facility will serve the bulk of the farmers in the OR Tambo District Municipality with Nyandeni Local Municipality being the main feeding area. The facility has a capacity of 100 herds of cattle and 200 sheep standing. The initiatives that Inkosi Bokleni has taken have ensured that the lands around Jimbeli would produce hay and maize by-products that could be used to feed the animals.

### North West Province: Moses Kotane Custom Feeding Programme

The programme is located on a Comprehensive Rural Development Programme (CRDP) site in this Boja Nala District Municipality site, North West Province. The area is a water scarce environment and thus the programme approach adopted by the NAMC and the North West is to provide key livestock drinking areas across the main four (4) farms: Boskop, Doornlaagte, Driehoek and Hanover. The four (4) adjacent farms require the renovation of windmills. The NAMC is in the process of finalising quotations for the drilling of the boreholes. The four initial boreholes will cost close to R50 000,00 per borehole, excluding the water pump. The stock water dams will be desilted during the winter months.

### **Drybeans Development Scheme**

The NAMC continued to facilitate the implementation of the Drybeans Development Scheme in the Sekhukhune district of Limpopo province. This is done in partnership with the Limpopo Department of Agriculture (LDA), Tiger Brands (the buyer) and the Limpopo Economic Development Agency (LEDA). The initiative was triggered by the growing demand for the commodity in the formal markets. The off-take agreement was secured from Tiger Brands (a leading food manufacturer and marketer of Fast Moving Consumer Goods product in Southern Africa) on behalf of growers to supply bags of small white beans of a specific variety to its factory in Boksburg.

For the current season, farmers received R9 000,00 per ton. Under this partnership, the NAMC facilitated specific activities in production and harvesting to ensure that the right commodity is delivered to the identified market. Tiger Brands aims for a long term relationship with growers. In light of the above, the pilot project was implemented successfully, in which 27 tons of small white beans were produced from 11 ha of land in June 2014. The small white beans were then sold to Tiger Brands at a price of R10 000,00 per ton. Planting for the 2015 season started in February where 77 ha has been established and planted from 6 neighboring farms.

### Mookgopong Sunflower Farmers

The NAMC in collaboration with the Land Bank and the Limpopo Department of Agriculture supported a group of sixteen (16) sunflower farmers in the Mokgopong local municipality, Limpopo province. The farmers were organised into a cluster to participate in the NAMC's Development Scheme programme. The aim of this scheme is to assist sunflower farmers in the district to penetrate formal markets. During the period under review, the service provider (Agridelight) has been contracted to develop a comprehensive business plan for the project which was completed in February 2014. The business plan entails the assessment of all farms in terms of their needs which will then be used to map out the intervention plan where role players involved in the project will deliver on specific activities of the project.

### Fish Hunting (Port Nolloth and Hondeklipbaai)

In June 2014, the NAMC was introduced to the Northern Cape fisheries sector in the coastal areas of Port Nolloth and Hondeklipbaai. The purpose of the visit was to engage with current beneficiaries of ongoing fishing projects to discuss blockages in their fishing business. Following this visit a training workshop was conducted after farmers indicated a lack of certain operational skills. Amongst the training needs identified, a SEDA workshop on cooperatives registration was also conducted together with the Dti Cooperative Incentive Schemes Awareness. The training and awareness highlighted issues such as Cooperative Incentive Funds for Primary and Secondary Cooperatives, Business Management, Record Keeping and Cooperative Registration and Management. Bankable business plans for both Port Nolloth and Hondeklipbaai were developed in order to facilitate funding for the project.

### **Coffee Bay Fisheries**

Coffee Bay is one of the anchor projects identified under SIP 11 with a potential to expand and create job opportunities. In 2014, the NAMC visited the project and met with the beneficiaries on site. The aim of the visit was to discuss issues that affected the fishing operations of the farmers in the area and to give guidance for future interventions. Following that first visit, a

baseline study was conducted that highlighted issues such as socio-economic factors of the farmers and production and marketing of fish. The NAMC has appointed a service provider to compile a comprehensive business plan for this project.

### **BUSINESS LINKAGES**

During the 2014/2015 financial year, the NAMC continued supporting the emerging producers with their endeavours to export their products. Under the export promotion programme, the following are notable achievements:

### Supply Chain and Logistics Development Programme (SCLDP)

The implementation of SCLDP is underway in the Ceres and Grabouw regions of the Western Cape. The aim of the SCLDP project is to assist small producers of fresh fruits and vegetables (FFV) in accessing international markets, particularly the EU, by enhancing productive capacities and enhancing compliance with technical requirements and by promoting certification. The NAMC is the Project Management Unit (PMU). The programme is currently being funded by the Department of Agriculture in the Western Cape (WCDoA). As the PMU, the NAMC implement specific business support activities with inputs from the WCDoA (ie. capacity building in certification, packaging, quality control, logistics planning and business linkages with potential buyers) by reverting back to its existing network of partners and/or by contracting new implementing agencies with the respective knowledge and resources. The first phase of the project started in 2010 and ended in September 2012 when the contract between the NAMC and the International Trade Centre (ITC) came to an end. The NAMC then signed the new MoU with the WCDoA to continue with Phase two (2) of the project.

During the period under review, the technical support on production was well received by all the 18 growers in order to improve product quality and quantity. Four (4) quarterly meetings also took place in Elsenburg to track progress on the implementation and address some identified challenges faced along the way. Five (5) individual business plans have also been developed with the farmers. The business plans will be used to assist on CASP funding allocation and how the resources should be spent on those specific farms. The WCDoA through its Casidra funding programme has also funded some of the key infrastructure related costs on these farms. Four (4) farmers out of the entire group were also being pre-audited for Global Gap Certification by PPECB, which is a key requirement for market access.

### **Market Information**

Market Information is a crucial programme which has been assisting farmers with agricultural market price updates. The programme offers market information on agricultural products to farmers on the ground through Phalaphala FM and commodity meetings.

### **CAPACITY BUILDING**

During the year under review, the NAMC facilitated four (4) different training programmes to capacitate the producers to operate their businesses successfully. One of the training courses was tailor-made for women entrepreneurs. Below are the different training courses which were attended by the producers:

### Management Training for Women Entrepreneurs (Agribiz)

The NAMC hosted an annual four-day training course for thirty seven (37) women entrepreneurs from 12 to 15 May 2014 at the Protea Hotel, Stellenbosch. The objective of the annual training course is to capacitate women entrepreneurs through marketing, financial and strategic management training skills. The course was financially supported by the private sector and Government Departmental Directorates. The following organisations were acknowledged for their sponsorship support: Land Bank, The South African Women Entrepreneur's Network (SAWEN) and all Agricultural Departments that nominated women entrepreneurs and sponsored their travelling expenses.

### Making Markets Matter Workshop

The NAMC in collaboration with its industry partners and other government agencies supported fifteen (15) producers to participate at the annual Making Markets Matter workshop hosted at the Lord Charles Hotel, Somerset West, Cape Town from 18 to 23 May 2014. The NAMC collaborated with HORTGRO and SATI to financially support the emerging producers who attended the training workshop.

The Making Markets Matter workshop is an intensive one week business development training workshop that prepares black agribusinesses from all over the African continent to meet the ever increasing demands of today's global agro-food system. The workshop featured world-class facilitators who offered training on Access to Business Development Services, Management Training, Marketing Strategies and Financial Analysis. Agribusinesses from other African countries participated in the workshop

### Financial Management Training -Mpumalanga Acornhoek

The NAMC in collaboration with Mzinti Training Centre facilitated a Financial Management Training Programme to capacitate farmers on basic financial management. Fifteen (15) farmers were capacitated under the programmes. The training was facilitated by one of our partners, Buhle Farmers' Academy, based in Delmas, Mpumalanga.

### **Basic Financial Management- Gauteng Vaal**

During the quarter under review financial management training was conducted with twenty (20) farmers who reside at the Vaal, Gauteng Province. The training objectives were designed to introduce farmers to Record-keeping and Financial Management.

### **Agribiz Impact Assessment**

The NAMC conducted an Impact Assessment on the AGRIBIZ Management Training for women entrepreneurs. The AGRIBIZ workshops were successfully implemented for the past 5 years though the impact was not proven. The impact and relevance of the AGRIBIZ was assessed through the help of Buhle Farmers' Academy and the results were used to improve the training for the future.



### Part 5 CORPORATE GOVERNANCE

### PART 5: CORPORATE GOVERNANCE

### **INTRODUCTION**

Government has identified good Corporate Governance as one of the key focus areas within the public sector. This has led to the creation of the Protocol on Corporate Governance in the Public Sector, which encompasses the recommendations from the King III Report on Corporate Governance.

The NAMC undertakes to promote good Corporate Governance, which will encourage an efficient, effective and transparent business enterprise.

### **PORTFOLIO COMMITTEE**

Parliament exercises its oversight role of the NAMC by evaluating its performance and interrogating its Annual Financial Statements and other relevant documents. This oversight role is fulfilled by the Portfolio Committee on Agriculture, Forestry and Fisheries and the Standing Committee on Public Accounts (SCOPA).

The Portfolio Committee oversees service delivery and performance in accordance with the mandate and strategy of the NAMC. It reviews financial and non-financial information, such as efficiency and effectiveness measures, and therefore reviews the non-financial information contained in the Annual Report of the NAMC. SCOPA oversees the financial performance and accountability of the NAMC in terms of the PFMA. It therefore reviews the Annual Financial Statements and Audit Reports from the Auditor General of South Africa.

### **EXECUTIVE AUTHORITY**

Parliament oversees the Executive Authority, who is required to provide it with full and regular reports concerning matters under its control. The Executive Authority for the NAMC is the Minister of Agriculture, Forestry and Fisheries. The MAP Act, No. 47 of 1996 provides that the Executive Authority can appoint or dismiss members of Council, including the Chairperson, Vice-Chairperson and members of Council.

The appointment procedure of Council members is set out in Subsection (4) of the MAP Act, No. 47 of 1996. Before the expiration of a member's term of office the procedure set out in Subsection (4) of the MAP Act, No. 47 of 1996 shall be followed for the appointment of a successor.

The NAMC Council submits quarterly reports on actual performance against Pre-determined Objectives, to the Executive Authority within 30 days of the end of a quarter.

### THE ACCOUNTING AUTHORITY / COUNCIL

### Introduction

The MAP Act, No. 47 of 1996, provides guidelines for the composition of the Council. The Minister of Agriculture, Forestry and Fisheries is responsible for appointing one of the members of the Council to the position of Chairperson and another member as Vice-Chairperson.

The Council is composed of 10 members. The current Council was appointed on 15 December 2011 and their term of office is four (4) years.

### **Functions of Council**

According to Section 9 of the MAP Act, No. 47 of 1996, the functions of the Council are as follows:

- (1) Subject to the provisions of Section 2, the Council -
  - (a) Shall, when requested by the Minister or of its own accord, investigate in terms of Section 11(2), the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency, and if necessary proposing alternatives to, the establishment, continuation, amendment or repeal of a statutory measure, or other regulatory measure, and to report to and advise the Minister accordingly;
  - (b) Shall prepare and submit to the Minister for consideration all statutory measures and changes to statutory measures that the Minister directs it to prepare;
  - (c) Shall, whenever requested by the Minister, and at least once annually, report on the activities of the Council;
  - (d) May direct any institution or body of persons designated for the purpose of the implementation or administration of a statutory measure in terms of Section 14, to furnish the Council with such information pertaining to a statutory measure as the Council or the Minister (or the parliamentary committees) may require;
  - (e) May undertake investigations and advise the Minister regarding:
    - (i) Agricultural marketing policy and the application thereof;
    - (ii) The coordination of agricultural marketing policy in relation to national economic, social and development policies and international trends and developments;
    - (iii) The possibilities for promoting the objectives mentioned in Section 2(2); and
    - (iv) The effects of product marketing on the objectives mentioned in Section 2(2);
  - (f) Shall monitor the application of statutory measures and report thereon to the Minister, and shall evaluate and review such measures at least every two (2) years;
  - (g) Shall prepare a budget of its expenses, in consultation with the Director-General, on an annual basis for approval by the Minister.
- (2) Copies of all reports that are submitted to the Minister in terms of Subsection (1) shall simultaneously be dispatched to the parliamentary committees for their information.

### **Council Charter**

As recommended by King III, the Council is governed by a Charter, which details the roles, structures and functions of the Council and its various sub-committees.

Qualifications     Area of expertise     Board Directorship     Other       Image: Committee stress     (List of entities)     or task teams       Image: Committee stress     or task teams     (e.g. Audit       Image: Committee stress     Image: Committee stress     Image: Committee stress       Image: Committee stress     Image: Committee stress     Image: Committee stress       Image: Committee stress     Image: Committee stress     Image: Committee stress	Bachelor of AdministrationAgricultural EconomicsPresident: South African Union Food Markets.Chairperson of the HR and of the HR and AgriculturalAdministrationEconomics IncludingUnion Food Markets.Of the HR and of the HR and of the HR and of the Schion 7AgriculturalCommittee - Restructuring Agricultural TradeCommittee - Restructuring of Fresh Produce Markets.Remuneration of the HR and of the HR and of the HR and of Fresh Produce Markets.Agricultural TradeDurban Fresh Produce Market.Market.Agricultural TradeDurban Fresh Produce Market.Committee of Fresh Produce Market.Former Board Member: Agricultural Research Council.Former Board Member: Agricultural Produce Agents Council.Former Board Member: Agricultural Produce Agents Council.Former Council. Former Council.Former CouncilFormer Council.	Masters of Science inCommercial Production of AlbertiniaChairman of Organic Aloe in AlbertiniaAgriculturalAgricultural AgriculturalAgricultural Research
Date Date appointed resigned	27 October - 2011	27 October - 2011
Designation (in terms ar of Public entity board structure)	Acting 27 Chairperson of 20 NAMC Council Deputy Chairperson	Council 27 Member 20
Name	Mr André Young	Mr AM Cronje

# **COMPOSITION OF THE COUNCIL BOARD**

	Designation (in terms of Public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of Meetings attended
ŬŽ	Council Member	06 March 2014	1	Management of Business Administration: Agricultural Leadership Development	Agricultural Product Related Trade And Industry	President : Western Cape National African Farmers Union Western Cape President of National African Farmers Union of South Africa representing black		5 out of 5
						farmers in South Ăfrica Board Member Agri-SETA		
						Board Member Wine Industry Development Association		
						Director & Board Member Agri-sector Unity Forum (ASUF)		
						Member of IODSA Institute of Directors of South Africa		
UΣ	Council Member	27 October 2011	1	Computer Literate Certificate	The Production and Marketing of Agricultural Products by Small Scale	Chairperson of Women in Agriculture and Rural Development in the Northern Cape Province	Member of the HR and Remuneration Committee	4 out of 5
					Disadvan-taged	National Secretary of ANC Ward, Board Member of the National Lucerne Trust		

Name	Designation (in terms of Public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of Meetings attended
Dr LL Magingxa	Council Member	27 October 2011	Г	PhD in Agricultural Economics	Agricultural Economics including Agricultural Marketing and International Agricultural Trade	1	Member of Audit and Risk Committee	5 out of 5
Dr JL Purchase	Council Member	27 October 2011	1	PhD in Agriculture	Agricultural Product Related Trade and Industry	Board Member of the Land & Agricultural Development Bank of South Africa Trustee of The Maize Trust Board Member of the International Food and Agribusiness Management Association (IFAMA)	Section 7 Committee Chairperson of Crop Estimates Liaison Committee Chairperson of Grain & Oilseeds Supply and Demand Liaison Committee	5 out of 5
Mrs JM Van Der Merwe	Council member	27 October 2011	1	Master in Business Leadership (MBL)	Consumer issue relating to agricultural products including issues relating to previously disadvantaged communities	Executive Committee (SANCU). Impartiality Committee (SABS). Various Technical Committees (SABS). Trustee (OPDT). Director Health Quality Assessment Agricultural Trade Forum (DAFF).	HR and Remuneration Committee	5 out of 5
Ms TE Zimu	Ms TE Zimu Council 27 October - Bac Member 2011 2011 Scie	27 October 2011	1		relor of Production - in Nursing and Marketing of Agricultural Products by Small-Scale and Previously Disadvan-taged Groups		Member of Audit and Risk Committee	4 out of 5

A total of 5 Council meetings took place during the financial year including a Special meeting held on 24 July 2014.

### Council Committees – 1 April 2014 to 31 March 2015

Committee	No. of meetings held	No. of members	Name of Members
Audit and Risk Committee	5	5	Mr. P Slack (Chairperson) Ms GR Dinga (Member) Ms AR Ngwenya (Member) Dr L Magingxa (Council member) Ms TE Zimu (Council member)
Human Resources and Remuneration Committee	4	3	Mr AD Young (Chairperson) Mrs JM van der Merwe (Acting Chairperson) Mrs M Gill (Member)

### Remuneration of Council Members

The NAMC Council members are remunerated in terms of the National Treasury Guidelines of Service Benefit Packages for Office Bearers of Certain Statutory and Other Institutions. The NAMC is Category Classification: A1.

Name	Remuneration	Other	Other re-	Total
		allowance	imbursements	
Mr AD Young	R135 000	-	-	R135 000
Ms MM Gill	R86 000	-	-	R86 000
Ms JM van der Merwe	R66 000	-	-	R66 000
Dr. JL Purchase	R13 000	-	-	R13 000
Mr AM Cronje	R32 000	-	-	R32 000
Ms TE Zimu	R103 000	-	-	R103 000
Dr. LL Magingxa	R67 000	-	-	R67 000
Mr A Hendricks	R42 000	-	-	R42 000.

### HUMAN RESOURCES & REMUNERATION COMMITTEE

The purpose of the committee is to manage human resources and remuneration matters, to ensure that the NAMC protects persons who were disadvantaged by the unfair discrimination, and to promote the achievement of equality within the NAMC. The committee, consisting of the members listed below held four (4) meetings during the year under review.

No	Name	Role	Meetings Attended
1.	Mr AD Young	Chairperson	4 out of 4
2.	Mrs JM van der Merwe	Council member	4 out of 4
3.	Mrs M Gill	Council member	4 out of 4

### **RISK MANAGEMENT COMMITTEE**

The NAMC recognises the importance of risk management in ensuring that its objectives are achieved. A risk assessment was undertaken to ensure that risks are appropriately mitigated by designing and implementing appropriated controls. The risk assessment covered financial, operational, compliance, reputation risks and adherence to good governance principles. A key consideration in the risk assessment was compliance with laws and regulations.

These include the PFMA, any regulations issued in terms of the PFMA and the Preferential Procurement Policy Framework Act. The Audit & Risk Committee had an oversight role in the enterprise-wide risk management activities. The Risk Management Committee consists of members of the NAMC Management Committee and is chaired by an independent Audit Committee member.

No	Name	Role	Number of Meetings Attended
1.	Ms AR Ngwenya	Chairperson	5 out of 5
		Audit and Risk Committee Member	
2.	Ms F Muvhulawa	Chief Financial Officer	3 out of 5
3.	M V Nkobi	Senior Manager : Human Resources	4 out of 5
		Management	
4.	Dr Simphiwe Ngqangweni	Senior Manager: Markets and Economic	3 out of 5
		Research Centre	
5.	Mr S Burger	Senior Manager: Statutory Measures	4 out of 5
6.	Ms K Mosoma	Senior Manager: Agribusiness Development	3 out of 5
7.	Mr Z Xalisa	Senior Manager : Agricultural Trusts	2 out of 5
8.	Mr T Maphatane	Compliance & Risk Manager	5 out of 5
9.	Mr M Monamodi	Communications Officer	3 out of 5

### RISK MANAGEMENT COMMITTEE MEMBERS

### **INTERNAL CONTROL UNIT**

The NAMC does not have an internal control unit. However, the NAMC has the Risk and Compliance Unit, which fulfils the function of ensuring that all business units comply with the necessary legislation that is applicable and relevant.

### INTERNAL AUDIT AND AUDIT COMMITTEES

### Key Activities and Objectives of Internal Audit

The NAMC's Internal Audit function is an integral part of its corporate governance system. The Internal Audit function is outsourced to a firm that assists the NAMC to evaluate the systems of control to ensure that they are effective to adequately mitigate business risks. Ultimately, the assurance provided by Internal Audit serves to assist the Council in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Agriculture, Forestry and Fisheries on the effectiveness of the NAMC's systems of control.

Internal Audit assists Management in identifying, evaluating and assessing significant organisational risks and provides reasonable assurance as to the adequacy and effectiveness of related internal controls, ie. whether controls are appropriate and functioning as intended. Where controls are found to be deficient or not operating as intended, recommendations for enhancement or improvement are provided.

A three year Internal Audit Plan was developed and implemented after taking into account the top risks identified by Management and Internal Audit. A risk-based approach was followed in developing this plan. The plan provides coverage across all major processes of the NAMC. Internal Audit also attends to requests from Management. All Management requests during the reporting period were attended to.

### Key Activities and Objectives of Audit and Risk Committee

The Audit and Risk Committee assists the NAMC to maintain an effective, efficient and transparent system of sound internal controls and financial management. The Audit and Risk Committee is responsible for monitoring and reviewing the effectiveness of the NAMC's Internal Audit function. Each year it considers and approves the Internal Audit Plan, receives and reviews Internal Audit progress reports and approves any changes or shortfall in the Internal Audit Plan.

### COMPLIANCE WITH LAWS AND REGULATIONS

A legal Compliance Policy is in place to assist the Risk and Compliance unit in executing its mandate. To ensure compliance with legislation, codes, regulations, policies and standards, the Risk and Compliance Unit embarked on a compliance review of various departments to determine their level of compliance. The compliance review reports highlighted areas of non-compliance and recommended actions to ensure compliance is achieved or improved.

Quarterly compliance reports are submitted to the Council and its committees, highlighting all identified compliance risks and transgressions within the NAMC. A compliance culture is yet to be embedded within the NAMC, hence a compliance programme was developed to ensure the achievement of a compliance mature organisation and to ensure continual improvement on the compliance culture

### FRAUD AND CORRUPTION

The NAMC has developed a Fraud Prevention Policy to foster a climate within the National Agricultural Marketing Council where all employees strive for the ultimate eradication of fraud. All incidents and allegations of fraud, corruption, theft or maladministration reported to the NAMC are fully investigated. Action is taken by the NAMC based on results from the investigation.

### MINIMISING CONFLICT OF INTEREST

The National Agricultural Marketing Council has a Supply Chain Management Policy in place that deals with the declaration of interest. Suppliers are requested to submit a Declaration of Interest form (SBD 4 form) for any procurement need requested by the NAMC. Members are required to declare any conflict of interest issues before and during the Bid Adjudication meeting that may have an impact in the awarding of contracts. Should any of the NAMC members declare a conflict of interest at any stage during the bid adjudication process, the member will be disqualified from participating in the Committee and if required, will be replaced by a member with suitable expertise.

### CODE OF CONDUCT

The NAMC has a Code of Conduct in place to which every employee is expected to adhere to and thus act in accordance with the principles of business ethics, namely:

- To follow high standards of ethical business practices and to avoid situations that could lead to conflict of interest;
- To treat propriety information of the NAMC and of third parties with due confidentiality;
- To fully comply with all applicable laws and regulations; and
- To use NAMC funds only for legitimate and authorised purposes within the scope of its stated objectives.

### HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The NAMC annually assesses its Health, Safety and Environmental issues. We are committed in maintaining a safe and healthy working environment at all times. Only two internal upgrades were done namely, the constructing of the NAMC Boardroom PA system and the building of a makeshift office. On both occasions staff was made aware of the dangers. There were no incidences of illness reported.

### **COMPANY SECRETARY**

None.

### SOCIAL RESPONSIBILITY

As part of compliance with the King III Corporate Governance Report, the National Agricultural Marketing Council subscribes to the Report's dictum of ethical leadership and good corporate citizenship. Our approach to social investment is informed by concerns on food security and the general development of communities. This approach is also founded on the values we espouse. Our strategy for community investment is designed along the lines of youth development and employees giving back to society. During the financial year, two agricultural schools were identified. The NAMC facilitated the career guidance day to agricultural students. Laptops were also donated to the two schools in order to establish a library.

### AUDIT AND RISK COMMITTEE REPORT

Report of the Audit and Risk Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999

We are pleased to present our report for the financial year ended 31 March 2015.

### Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the members listed hereunder and meets four times per annum as per its approved terms of reference. However, during the current year five (5) meetings were held.

Name	Qualifications	Internal or External	Internal position in the public entity	Date appointed	Date resigned	No. of Meetings attended
Mr. P Slack	Chartered Accountant (SA)	External	Chairperson of Audit and Risk Committee	01 July 2009	-	5 out of 5
Mrs. GR Dinga	Masters in Business Leadership (MBL), Certified Internal Auditor(CIA) B Tech in Internal	External	Audit and Risk Committee	01 October 2012	-	5 out of 5
Ms. AR Ngwenya	Auditing Masters of Business Administration	External	Audit and Risk Committee	01 October 2012	-	5 out of 5
Mrs. TE Zimu	Bachelor of Arts in Nursing Science	External	Council member	27 October 2011	-	4 out of 5
Dr. LL Magingxa	PhD in Agricultural Economics	External	Council member	27 October 2011	-	4 out of 5

### Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1) (a) of the PFMA and Treasury Regulations 27.1.

The Audit and Risk Committee further reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls is designed to provide assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and good practices on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the management letter of the Auditor-General South Africa, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were effective and efficient.

### The quality of in-year management and quarterly reports submitted in terms of the PFMA.

The Audit and Risk Committee has noted and is satisfied with the content and quality of the quarterly reports prepared and issued by the Accounting Officer during the year under review. Suggestions were made and implemented to improve deficiencies on the reports.

### **Evaluation of Annual Financial Statements**

The Audit and Risk Committee has:

Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General; Reviewed the Auditor-General's management letter and management's response thereto;

- a) Reviewed the accounting policies and practices; and
- b) Reviewed the Annual Financial Statements prior and post audit and there were material adjustments made to the financial statement resulting from the audit.

The Audit and Risk Committee concurs and accepts the Auditor-General of South Africa's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report from Auditor-General, South Africa.

Mr. P Slack Chairperson of the Audit Committee Date: 26 August 2015



### Part 6 HUMAN RESOURCES MANAGEMENT

HUMAN RESOURCES MANAGEMENT OVERSIGHT STATISTICS PART 6:

## **Personnel Cost by Programme**

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel Expenditure as a %	No of Employees	Average personnel cost per employee
MERC	2,555,070	7,970,130	31.70%	14	569
Finance & Administration	6,910,337	2,827,706	11.25%	9	471
Statutory Measures	306,534	1,881,705	7.48%	4	470
Human Resources	1,141,527	2,379,679	9.46%	8	297
CEO's Office	1,212,522	3,478,636	13.84%	4	870
Agribusiness Development	2,140,945	2,693,095	10.71%	S	898
Agricultural Trust	2,704,945	1,051,094	4.18%	4	1051
Red Meat	1,459,300	1,805,208	7.18%	21	86
Council	401,783	1,055,125	4.20%	0	0
TOTAL	18,832,963	25,142,379	100%	61	4713

band
Salary
Cost by
Personnel

Top Management         3,011,483         12%         2           Top Management         5,045,250         20%         5           Senior Management         5,045,250         20%         5           Professional Qualified         9,350,266         37%         16           Professional Qualified         9,350,266         37%         16           Skilled         4,047,481         16%         15           Ouncil         1,055,125         4%         15           Council         1,055,125         4%         7           Council         2,090,502         8%         7           Unskilled         542,272         8%         7           Unskilled         542,272         2%         16           Unskilled         2%         2%         16	Level	Personnel Expenditure	% of personnel expendi- ture to total personnel	No. Employee	Average personnel cost per employee
Management       5,045,250       20%         onal Qualified       9,350,266       37%         onal Qualified       9,350,266       37%         Item       4,047,481       16%         Item       1,055,125       4%         Ited       1,055,125       4%         Ited       2,090,502       8%         d       5,42,272       2%         d       25,142,379       100%	Top Management	3,011,483	12%		2 1506
onal Qualified     9,350,266     37%       onal Qualified     4,047,481     16%       l     4,047,481     16%       l     1,055,125     4%       illed     2,090,502     8%       d     5,42,272     2%       d     25,142,379     100%	Senior Management	5,045,250	20%		5 1009
I     4,047,481     16%       I     1,055,125     4%       illed     1,055,125     4%       of     2,090,502     8%       d     542,272     2%       d     25,142,379     100%	Professional Qualified	9,350,266	37%		16 584
I     1,055,125     4%       iiled     2,090,502     8%       d     542,272     2%       d     25,142,379     100%	Skilled	4,047,481	16%		15 270
illed 2,090,502 8% 8% d 2,090,502 0% 2% 2% 2% 2% 25,142,379 100% 100% 1	Council	1,055,125	4%		0
d 542,272 2% 2% 25,142,379 25,140%	Semi-skilled	2,090,502	8%		7 299
25,142,379 100%	Unskilled	542,272	2%		16 34
	TOTAL	25,142,379	100%		61 3702

### **Performance Rewards**

Programme	Performance Reward	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	2	572	22 %
Senior Management	2	841	32 %
Professional qualified	15	881	34 %
Skilled	9	135	5 %
Semi-Skilled	4	145	6 %
Unskilled	2	17	1%
TOTAL	34	2,591	100 %

t
S
Q
U
σ
2
Ξ.
B
Ĕ

Directorate/ Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of personnel cost	No. Of employees trained	Average training cost per employee
MERC	7,970,130	258,394	45 %	14	1 18457
Financial & Administration	2,827,706	51,168	% 6		6 8528
Statutory Measures	1,881,705	17,765	3 %		4 4441
Human Resources	2,379,679	57,740	10 %		8 7217
CEO's office	3,478,636	23,900	4%		4 5975
Agribusiness Development	2,693,095	87,811	15 %		3 29270
Agricultural Trusts	1,051,094	25,374	4 %		1 25374
Red meat	1,805,208	55,205	10 %	21	1 4247
Council/Audit & Risk/HR&RC	1,055,125	0	% 0		0
TOTAL	25,142,379	577,357	100 %	61	1 103509

Programme	2013/2014 No of Employees	2014/2015 Approved Posts	2014/2015 No of Employees	2014/2015 Vacancies	% of Vacancies	
CEO's Office	4		4	0		0
MERC	14	14	1	0		0
Agribusiness	S		3	0		0
Agricultural Trusts & Red Meat	Q		6	0		0
Finance & Administration	9		6	0		0
Statutory Measures	4		4	0		0
Human Resources	α		8	0		0
Contract Employees	0		0 16	0		0
TOTAL	45	45	5 61	0		0
Programme	2012/2013 No of Employees	2014/2015 Approved Posts	2014/2015 No of Employees	2014/2015 Vacancies	% Vacancies	
Top Management	2	5	2	0		0
Senior Management		2	5	0		0
Professional qualified	16	16	16	0		0
Skilled	12	12	2	0		0
Semi-skilled	2		7	0		0
Unskilled	3		3	0		0
Contract Employees	0		0	0		0
TOTAL	45	45	5 61	ο		0

# **Employment and Vacancies**

S
Ð
Ō
2
G
2
$\overline{\mathbf{O}}$
÷
Ð
2
-
0
d
Ξ
ΞŪ.

Programme	Employment at beginning of period	f Appointments	Terminations	Employment at the end of period
Top Management	2	0	0	0
Senior Management	5	)	0	0
Professional qualified	16	)	0	0
Skilled	15	)	0	4
Semi-skilled	7	)	0	2
Unskilled	16	)	0	0
TOTAL	61		0	6

## Reasons for staff leaving

Reasons	Number	% of total no of staff leaving
Death	0	0%
Dismissal	3	4 %
Resignation	3	4 %
Retrenchment	0	0%
Retirement	0	0%
ILL Health	0	0%
Expiry of Contract	0	0%
TOTAL	6	8%

S
Ę
ta
S
ť
5
Ĕ
Ξ
6
5
ਵ
Ъ.
Ξ
č
ສ
ä
ő
L.
Ë
ح
Ξ.
<u>n</u>
ы
_

Female

Levels	FEMALE							
	African		Coloured		Indian		White	Target
	Current	Target	Current	Target	Current	Target	Current	
Top Management	1	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	0
Professional qualified	1	0	0	0	0	0	9	0
Skilled	7	0	0	0	0	0	0	0
Semi-skilled	З	0	0	0	0	0	М	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	16	0	0	0	0	0	6	0

Male

Levels	Male								
	African		Coloured		Indian		White		
	Current	Target	Current	Target	Current	Target	Current	Target	
Top Management		1		0		0	0	0	0
Senior Management	,	2		0		0	0	-	0
Professional qualified	~	0		0		0	0	1	0
Skilled		5		0		0	0	0	0
Semi-skilled		1 0		0		0	0	0	0
Unskilled	17	0		0		0	0	0	0
TOTAL	34	4		0		0	0	2	0

Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal Warning	0
Written warning	0
Final written warning	1
Dismissal	3
TOTAL	4

## **Disabled staff**

Levels

	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified		0	0	0
Skilled	0	0	0	0
TOTAL	H	0	0	0



## **Part 7** FINANCIALS

## CONTENTS

	Page
Report of the Auditor General	114-117
Report of the Chief Executive Officer	118-125
Statement of Financial Position	127
Statement of Financial Performance	128
Statement of Changes in Net Assets	129
Cash Flow Statement	130
Statement of comparison of Budget and Actual Amounts	131
Accounting Policies	132-145
Notes to the Annual Financial Statements	146-168

## Report of the auditor-general to Parliament on the National Agricultural Marketing Council

#### **Report on the financial statement**

#### Introduction

1. I have audited the financial statements of the National Agricultural Marketing Council (NAMC) set out on pages 127 to 168, which comprise statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-general's responsibility

- 3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Agricultural Marketing Council as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

#### Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

#### **Predetermined objectives**

- 8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:
  - Program 2: Market and economic research centre performance information on pages 30 to 40
  - Program 3: Statutory measures performance information on pages 42 to 45
  - Program 5: Agri-business development performance information on pages 49 to 53
- 9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
- 10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
- 11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 12. The material findings in respect of the selected objectives are as follows:

#### Programme 3: Statutory measures

#### Usefulness of reported performance information

#### Measurability of indicators and targets

- 13. Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 33% of the targets were not specific and measurable.
- 14. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. It must further be possible to validate the processes and systems that produced the indicator should be verifiable. A total of 22% of the indicators were not verifiable.

This was due to a lack of proper systems and processes for performance planning and management to provide for the development of performance indicators and targets included in the annual performance plan and technical indicator descriptions.

#### Programme 5: Agri-business development

#### Usefulness of reported performance information

#### Measurability of indicators and targets

- 15. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 36% of the indicators were not specific.
- 16. The period or deadline for delivery of targets should be specified as required by the FMPPI. A total of 36% of the indicators were not timebound.
- 17. Performance targets should be measurable as required by the FMPPI. I could not measure the required performance for 36% of the targets.

This was due to a lack of proper systems and processes for performance planning and management to provide for the development of performance indicators and targets included in the annual performance plan and technical indicator descriptions.

- 18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Program 2: Market and Economic Research Centre performance information on pages 30 to 40

#### **Additional matters**

19. I draw attention to the following matters:

#### Achievement of planned targets

20. Refer to the annual performance report on pages 23 to 52 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information for the selected objectives reported in paragraphs 13 and 17 of this report.

#### Unaudited supplementary information

21. The supplementary information set out on page 53 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

#### **Compliance with legislation**

22. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### **Financial statements**

23. The financial statements submitted for auditing were not prepared, in accordance with the requirements of section 55(1)(a) and (b) of the PFMA and the SA Standards of GRAP. Material misstatements of revenue and deferred revenue that were identified by the auditors were sub-sequently corrected by management, which resulted in the financial statements receiving an unqualified audit opinion.

#### Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the report on annual performance report and the findings on non-compliance with legislation included in this report.

#### Leadership

25. There was a lack of proper systems and processes for performance planning and management to provide for the development of performance indicators and targets included in the annual performance plan and technical indicator descriptions.

#### Financial and performance management

26. Management did not adequately implement effective controls for the preparation of financial statements. As a result, management did not prevent and detect all the material misstatements to the financial statements.

#### Other reports

#### Investigations

27. An independent consulting firm performed an investigation at the request of the NAMC in June 2014. The investigation was initiated based on a supplier's banking details being changed, resulting in the public entity making payment to an unauthorised bank account. The alleged fraud was also reported to the South African Police Service and the fraudulent payment was recovered. This investigation was concluded in July 2014 and no disciplinary was taken due to a lack of evidence. The NAMC has recovered the fraudulent payments from the bank on the 30 October 2014.

Fluditor - General

Pretoria 31 July 2015



Auditing to build public confidence

#### **Report of the Chief Executive Officer**

#### 1. General review of the business and operations

The report of the Accounting Authority forms part of the annual financial statements of the National Agricultural Marketing Council (NAMC) for the year ended 31 March 2015.

### The Chief Executive Officer presents his report for the year ended 31 March 2015. Spending trends 2011/12 - 2014/15 as per Standard items:

Expenditure Categories	Ac	Actual			
	R'000	R'000 R'000		R'000	
	2011/12	2012/13	2013/14	2014/15	
Personnel	22,848	22,301	25,392	28,586	
Operating	4,050	7,024	5,475	5,808	
Rental: Office space	944	948	1,433	2,270	
Research, workshops & investigations	5,238	4,723	22,585	35,034	
Other administrative	3,505	3,508	4,486	5,868	
Total	36,585	38,504	59,370	77,566	
Baseline allocation	36,049	31,409	33,819	36,005	
Donor funds	555	4,610	26,074	40,796	

The table above reflects the expenditure trends for the previous three years, as well as the results of the 2014/15 financial year.

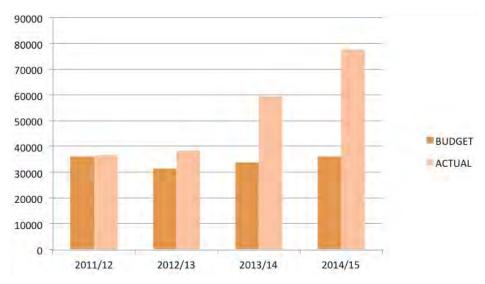
The MTEF baseline allocation for 2014/15 increased by of 6% as compared to 2013/14 financial year. The actual expenditure for 2014/15 is R77,6 million, which includes depreciation and amortisation on assets amounting to R1,2 million as well as leave pay provision amounting to R776 thousand. It should be noted that an amount of R345 thousand has been prepaid to the suppliers as per contractual arrangements and this has been disclosed in the statement of financial position; the prepayments were for the events that would take place in the financial year 2015/16.

An increase of 13% in personnel expenditure is as a result of increase in the amount paid toward performance bonuses which was paid using interest generated from investments and management fee on sponsorship projects and also the annual salary adjustments of 6%.

An increase of 6% on operating expenditure is due to an increase in the number of Section 7 & workgroup investigations and travel and subsistence expenditure line items.

As disclosed in note 6 to the annual financial statements, the rental expense reflects an Increase of 58% which is a result of the additional office space acquired during the financial year 2013/14, the actual escalation rate for operating leases is 10% p.a. refer to note 20 of the annual financial statements. An increase of 55% in professional services is as a result of an increase in expenditure for sponsored projects as disclosed under note 18 (Deferred revenue) of the annual financial statements.

#### **Budget vs. Actual**



The graph illustrates the grant received against the total expenditure for the past 3 years and the current period under review.

#### 2. NAMC Funding

The NAMC received funding of R 36 million from the Department of Agriculture, Forestry and Fisheries during the year under review, whilst other income amounted to R45 million and interest generated amounted to R1,9 million Total expenditure amounted to R7,7 million.

#### 3. Utilisation of donor funds

During the period under review the entity received and utilised donor funding as follows:

#### a) Strategic Infrastructure Project: SIP 11

An amount of R4, 1 million was deferred to the statement of financial position during the previous financial year 2013/14, and an additional amount of R3, 5 million was received from the Department of Agriculture, Forestry & Fisheries for the management of SIP 11 project.

As at 31 March 2015 an amount of R4, 3 million had been utilised. The balance of R3,3 million was deferred to the statement of financial position.

#### b) Sponsorship: Western Cape Government (Department of Agriculture)

An amount of R452 thousand was deferred to the statement of financial position in 2013/14 financial year, the funds were received from the Western Cape Government for the purpose of implementing the Southern Africa Development Community Supply Chain & Logistics development programme.

As at 31 March 2015 an amount of R378 thousand had been utilised. The balance of R74

thousand was deferred to the statement of financial position.

#### c) Sponsorship: National Red Meat Development Project

An amount of R2, 8 was deferred to the statement of financial position in 2013/14 financial year, an additional amount of R14, 8 million was received from Department of Rural Development and Land Reform, for the development of Red Meat Production Centres in nine (9) provinces. An invoice of R1, 9 million was raised with Department of Rural Development and Land Reforms, as at year end the invoice was not yet paid.

As at 31 March 2015 an amount of R10, 3 million had been utilised, and the balance of R9, 1 million was deferred to the statement of financial position.

#### d) Sponsorship: Vineyard Development Scheme project

An amount of R11, 7 million was deferred to the statement of financial position in 2013/14 financial year, an additional amount of R27, 1 million was received from Northern Cape Department of Agriculture, Land Reform and Rural Development, for the purpose of facilitating the implementation of the Vine Yard Development Scheme in the Northern Cape Province.

Interest amounting to R779 thousand was generated from the investment of surplus fund for Vineyard Development Scheme.

As at 31 March 2015 an amount of R21, 7 million had been utilised, and the balance of R17, 2 million was deferred to the statement of financial position.

#### e) Sponsorship: Agricultural Sector, Education Training Authority (Agriseta)

An amount of R390 thousand was deferred to the statement of financial position during 2013/14 financial year, an additional amount of R559 was received from Agriseta for bursaries and internship for 2014/15 financial year.

As at 31 March 2015 an amount of R949 thousand had been utilised.

#### f) Sponsorship: Agricultural Information Marketing System: (AIMS)

An amount of R13,5 million was received from Northern Cape Department of Agriculture, Land Reform and Rural Development, for the implementation of the National roll-out of Agricultural information Marketing System.

As at 31 March 2015 an amount of R108 thousand had been utilised and the balance of R13,4

million was deferred to the statement of financial position.

#### g) Sponsorship: Norms and Standards

An amount of R600 thousand was received from Department of Agriculture, Forestry and Fisheries, for the implementation of Norms and Standards project, an additional invoice of R100 thousand was raised, and as at 31 March 2015, the invoice had not been paid.

As at 31 March 2015 an amount of R589 thousand had been utilised and the balance of R111 thousand was deferred to the statement of financial position.

#### h) Other Income

An amount of R2,5 million was generated as "Other Income" under, Finance and Administration, Agricultural Trust, Market and Economic Research, Agribusiness Development and Human Resources divisions.

- R76 thousand was received as proceeds from insurance for computers that were stolen.
- R1,8 million from the Agricultural Research Council to assist rural communities and smallholders livestock farmers to participate in the Integrated Food and Nutrition Security Initiative (IFNSI) and the NAMC's National Red Meat Development programme in order to improve food security and quality of their animals at the point of sale.
- R73 thousand was received from World Food Programme for Market training assistance to the Food Agricultural Organisation and World Food Programme, for smallholders Farmers in Limpopo, North West and Northern Cape.
- R105 thousand was received from Economic Research Service for the assessment of Food systems in South Africa and Mozambique.
- R13 thousand was received from FANRPAN for chairing/Directing the proceeding of the National Dialogue (Validation workshop). R48 thousand was received from Independent Development Corporation for analysis of South Africa Broiler Industry. R95 thousand was received from Citrus Grower Association Citrus Development projects.
- R90 thousand was received from Western Cape Department of Agriculture as sponsorship for Empowerment of Women Entrepreneurs.
- An amount of R13 thousand was received as income from sale of cattle.
- An amount of R182 thousand was transferred from Agricultural Marketing Scheme and Grain Farmer Development trust account deferred income to other income as per council resolution.
- An amount of R5 thousand was received from Tahlita Pharmacy as sponsorship for beef indaba.

Summary of donor funds and sponsorship recognised in the statement of financial performance during financial year 2014/15

Name of donor/Project	R'000 Amount received
Northern Cape Department of Agriculture: Vineyard Development Scheme	21 666
Department of Rural Development and Land Reform: National Red Meat Development Project	10 323
Department of Agriculture, Forestry and Fisheries: (Strategic Infrastructure Project) SIP 11	4 333
Agricultural Research Council: Integrated and Nutrition Food Security Initiative	1 750
Agricultural Sector Education, Training Authority	949
Department of Agriculture, Forestry and Fisheries: Norms and Standards	589
Western Cape Government :Supply Chain Logistic Programme	378
Income from AMS/GFD Trust account	182
Agricultural Information Management System: (AIMS)	108
Economic Research Services	105
Citrus Grower Association	95
Western Cape Department of Agriculture: Empowerment of Women Entrepreneur	90
AIG Insurance: Proceeds from insurance and sale of assets	76
World Food Programme	72
Independent Development Corporation	48
Income from sale of cattle	14
Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN)	13
Tahlita Pharm: Sponsorship for Beef Indaba	5
TOTAL	<u>40 796</u>

#### 4. Events after the reporting date

No material events have taken place between the reporting date and the date of the authorisation of the annual financial statements.

#### 5. Materiality framework

In terms of Treasury Regulation 28.2.1, the NAMC had a materiality framework for the year under review. This was used as a basis for reporting losses and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged by section 54(2) of the PFMA. Thus it was used as a basis for evaluating the materiality of transactions and to determine the accounting treatment thereof.

#### 6. Going concern

The Accounting Authority has reviewed the annual financial statements for the period under review, and there is no reason to believe that the entity will not be able to continue its operations in the foreseeable future, based on the forecasts and the approved MTEF allocation by the Department of Agriculture, Forestry & Fisheries. These annual financial statements support the viability of the entity.

#### 7. Annual financial statements

The annual financial statements have been prepared in accordance with the policies as stated in the annual financial statements, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations issued in terms of the Act, Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations of such statement issued by the Accounting Standards Board.

To the best of my knowledge, all representations made in the annual financial statements are appropriate and valid.

#### 8. Corporate governance

The NAMC as a public entity confirms its commitment to the principles of transparency, integrity and accountability as stated in the King III Report on Corporate Governance.

In the governance of the NAMC, the council is responsible for policy making and control, while the CEO has been delegated the responsibility of the day to day execution of the policies and objectives as directed by the Council. The members of the Council are appointed by the Minister of Agriculture, Forestry and Fisheries on the basis of their expertise in the field of agriculture, business, financial management and research.

#### 8.1. Governance structures

In order to comply with these principles, the Council has and continues to design and implement appropriate governance structures across the organisation. The Council acknowledges that, for it to set up an effective governance framework, robust governance structures need to be in place. The following Council Committees were functional as at 31 March 2015, their respective terms of

- reference are outlined in the form of Committee charters:
- Audit and risk committee;
- Human Resources and Remuneration committee;

#### 8.2. The role of governance committees

The Council's committees are charged with certain functions and operate within clearly defined terms of reference and continue to assist the Council Governance function on the following principles:

#### 8.2.1 Risk management

The entity recognises the importance of risk management in ensuring that its objectives are achieved. A risk assessment has been undertaken which ensures that risks are appropriately mitigated by designing and implementing appropriate controls.

The risk assessment covers financial, operational, compliance and reputation risks and adherence to good governance principles. A key consideration in the risk assessment is compliance with laws and regulations.

These include the PFMA, any regulations issued in terms of the PFMA, and the Preferential Procurement Policy Framework Act.

The risk management committee continues to function and has met at least four times during the period under review. The Audit & Risk Committee has been assigned to play an oversight role in the enterprise–wide risk management activities.

#### 8.2.2 Internal control

The council has the ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. This function is delegated to the executive management to ensure that the strategic risks in particular are properly managed.

The controls throughout the entity focus on the critical risk areas identified and confirmed by management. The council relies on the Audit & Risk Committee, Risk Management Committee and Internal Auditors to monitor and report on the status of internal control at NAMC.

The controls are designed to provide cost-effective assurance that assets are safeguarded and that the available working capital is managed efficiently, effectively and economically.

Organisational policies, procedures and the delegation of authority provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms. The designed internal controls are closely monitored by both management and internal audit and actions are taken to correct deficiencies identified.

#### 8.2.3. Internal audit

As from 01 November 2013, the internal audit is outsourced to Akanani Consulting for a period of three (3) years.

In line with the PFMA requirements, the internal auditor's objectives are to provide the audit and risk committee and management with objective assurance that the internal controls are appropriate and effective. This is achieved by means of an objective appraisal and evaluation of the risk management processes, internal controls and governance processes, as well as identifying corrective action and suggested enhancements to the controls and processes.

The internal auditors are fully supported by Management, Council and the Audit and Risk Committee and have full, unrestricted access to all organisational activities, records, property and personnel.

During the period under review, the internal auditors conducted various reviews and assessments of NAMC's control environment of which the results were reported to the audit and risk committee. No significant deviations from internal audit were reported during the assessments.

#### 8.2.4 Compliance with laws and regulations

The NAMC has established and implemented various policies to consider compliance with applicable laws and regulations on a regular basis.

#### 8.2.5 Investigations

Two incidents of fraud amounting to R26, 664.34 occurred during June 2014. The two payments in question were made to a single service provider on 5 June 2014 (R12, 897.39) and 12 June 2014 (R13, 766.95). After receiving a complaint of lack of payment from the service provider, the banking details were subsequently compared to the actual banking details provided by the service provider and found to be incorrect. As a result of the apparent fraud, a case docket was opened with the South African Police Service (SAPS) and Nkonki Forensic Investigators were appointed to investigate the matter. The forensic investigation could not establish who and how the banking details were changed on the accounting system. As a result of lack of evidence, disciplinary action against staff was not taken for the incident. However, the NAMC has improved controls in line with the recommendations of the investigation report to ensure that similar incidents do not occur. The NAMC also managed to recover the R26, 664.34 from First National Bank on the 30 October 2014.

#### 8.2.6 Code of conduct

The NAMC has code of conduct policy dealing with ethical behaviour in the workplace. Employees are required to maintain high ethical standards and to ensure that NAMC's business practices are conducted in a manner that is above reproach.

Chief Executive Officer Mr. TR Ramabulana

### **Statement of Responsibility**

#### For the year ended 31 March 2015

The Accounting Authority is responsible for the preparation, integrity and fair presentation of the financial statements of the National Agricultural Marketing Council. The annual financial statements presented on pages 127 to 168 have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The Accounting Authority also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the annual financial statements. The Accounting Authority has no reason to believe that the National Agricultural Marketing Council will not be a going concern in the foreseeable future. These annual financial statements support the viability of the National Agricultural Marketing Council.

The annual financial statements have been audited by the Office of the Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of meetings of the management committee. The Accounting Authority believes that all representations made to the auditors during audit are valid and appropriate.

The audit report of the Auditor-General is presented on pages 114 - 117. The annual financial statements were approved and signed by the Accounting Authority on 30 July 2015.

Acting Chairperson of the Council Mr. AD Young

#### **Statement of Financial Position**

	Natas	2015	2014
	Notes –	R'000	R'000
ASSETS			
Non-current assets	_	6 542	2 604
Property, plant and equipment	11	6 465	2 491
Intangible assets	12	77	113
Current assets		41 631	21 900
Inventory	13	56	53
Receivables from non- exchange transactions	14	4 458	464
Receivables from exchange transactions	14	596	901
Cash and cash equivalents	15	36 521	20 482
Total assets		48 173	24 504
LIABILITIES			
Non-current liabilities		60	110
Finance lease liability	16	60	110
Current liabilities		44 805	22 261
Finance lease liability	16	137	168
Payables from exchange transactions	17	1 214	2 224
Deferred revenue	18	43 297	19 547
Funds held in trust	17,2	-	176
Operating lease liability	20	157	146
Total liabilities	_	44 865	22 371
Total net assets	-	3 308	2 133
NET ASSETS			
Reserves			
Accumulated surplus		3 308	2 133
Net assets	_	3 308	2 133

#### **Statement of Financial Performance**

		2015	2014
	Notes	R'000	R'000
Revenue		78 741	60 765
Non-exchange revenue	2	76 801	59 893
Exchange revenue	3	1 940	872
Expenses		77 476	59 313
Administrative expenses	4	4 527	3 687
Personnel expenditure	5, 9 & 10	28 586	25 392
Operating expenses	6	43 112	29 492
Depreciation and amortisation	7	1 226	707
Finance cost	8	25	35
Gain/(loss) on disposal of property, plant & equipment		(78)	(57)
Loss on disposal of inventory		(12)	-
Surplus/(deficit) for the year	-	1 175	1 396

#### **Statement of Changes in Net Assets**

	Notes	Accumulated surplus
		R'000
Balance as at 1 April 2013		737
Surplus for the year		1 396
Accumulated surplus as at 31 March 2014		2 133
Surplus for the year as at 31 March 2015		1 175
Closing balance as at end of 2015		3 308

#### **Cash Flow Statement**

	N	2015	2014
	Notes —	R'000	R'000
Cash flow from operating activities			
Cash receipts		96 755	78 396
Grants and transfers	2	36 005	33 819
Project receipts		60 126	-
Other receipts		624	44 577
Cash paid to suppliers and employees		(77 246)	(58 546)
Employee costs		(26 458)	(25 089)
Project Employee costs		(2 0 37)	-
Suppliers payments (Project)		(40 579)	-
Suppliers		(8 172)	(33 457)
Cash generated from operations	19	19 509	19 850
Interest received	2	1 940	872
Net cash flows from operating activities		21 449	20 722
Cash flow from investing activities			
Proceeds on disposal of non-current assets		73	13
Acquisition of property plant and equipment	11	(5 089)	(1 632)
Acquisition of intangible assets		(0 0 0 0 ) /	(1 002)
Net cash flows from investing activities		(5 016)	(1 619)
Cash flows from financing activities			
Finance lease payments		(288)	(296)
Finance costs	8	(25)	(35)
Movement in finance lease liability		(81)	83
Net cash flows from financing activities		(394)	(248)
Net increase/(decrease) in cash and cash equivalents		16 039	18 855
Cash and cash equivalents at the beginning of the year	15	20 482	1 627
Cash and cash equivalents at end of year	15	36 521	20 482

## Statement of Comparison of Budget and Acutal Amounts

Description	Approved budget	Adjustments	Final budget	Actual amounts on a compara- ble basis	Difference between final budget and actual	Var. %	References
	R'000	R'000	R'000	R'000	R'000		
Revenue							
Grant received	36 005	-	36 005	36 005	-	-	
Other income	-	-	-	40 796	(40 796)	(100)	
Interest received	700	-	700	1 940	(1 240)	(177)	
Total revenue	36 705	-	36 705	78 741	(42 036)	(115)	25.1
Expenses							
Personnel expenditure	22 777	-	22 777	28 586	(5 809)	(26)	25.1
Administration expenses	7 853	-	7 853	4 527	3 326	42	25.1
Operating expenses	4 100	-	4 100	42 241	(38 141)	(930)	25.1
Depreciation & amorti- sation	735	-	735	1 226	(491)	(67)	25.1
Finance cost	38		38	25	13	34	
Information Technology costs (IT costs)	502	-	502	961	(459)	(91)	25.1
Total expenses	36 005	-	36 005	77 566	(41 561)	(115)	
Surplus/(deficit) for the period	700	-	700	1 175	(475)	(0)	

#### **Accounting Policies**

For the year ended 31 March 2015

#### **1. Accounting Policies**

The following are the principal accounting policies of the National Agricultural Marketing Council, which are in all material respects, consistent with those applied in the previous year. The historical cost convention has been used, except where indicated otherwise. The financial statements have been prepared on a going concern basis.

#### **1.1 Reporting institution**

The National Agricultural Marketing Council ("NAMC") is an entity domiciled in South Africa. The address of the NAMC's registered office is 536 Francis Baard Street, Arcadia, Pretoria, 0002. The NAMC's primary business is to provide strategic advise to the Minister of Agriculture, Forestry and Fisheries and directly affected groups in the agricultural sector. The full responsibilities of the NAMC are contained in the Marketing of Agricultural Products Act of 1996, as amended by Act no. 59 of 1997 and Act no. 52 of 2001.

The financial statements were approved by the Accounting Authority in May 2015.

#### 1.2 Functional and presentation currency

The financial statements are presented in South African Rand which is the entity's functional currency. All financial information has been rounded to the nearest thousand.

#### 1.3 Basis of preparation

The financial statements have been prepared in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999) and the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

#### 1.4 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 24: significant estimates and judgements used by management.

#### **Accounting Policies**

For the year ended 31 March 2015

#### 1.5 Revenue recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for interest generated in the normal course of business.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished and directly gives approximate equal value primarily in the form of goods, services or use of assets or services to the other party in exchange.

#### Measurement

Revenue exchange transaction is measured at the fair value of the consideration received or receivable. The fair value is normally agreed between an entity (the seller) and the purchaser of the goods or services.

Interest income comprises interest on funds invested. Interest income is recognised on a time proportion basis using the effective interest method.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### Recognition

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect to the related conditions.

#### Measurement

Revenue from non-exchange transactions are measured at the fair value of asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as an when the conditions attached to the grant are met.

Grants without any conditions attached are recognised in full when the asset is recognised, at an amount equalling the fair value of the asset received.

#### **Accounting Policies**

For the year ended 31 March 2015

Interest earned on investment is treated in accordance with grant conditions, if it is payable to the funder it is recorded as part of the creditor.

#### 1.6 Finance cost

Finance cost comprises of interest expense on borrowings and finance lease liabilities. All borrowing costs are recognised in surplus or deficit using the effective interest method.

#### 1.7 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

- The Public Finance Management Act, Act 1 of 1999", or
- Contravention of the entity's supply chain management policy.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure are recognised as expenditure in the statement of financial performance in the period in which they are incurred, and where recovered, are subsequently accounted for as revenue in the statement of financial performance.

Irregular, fruitless and wasteful expenditure are disclosed under note 27 and 28 of the annual financial statements.

#### 1.7.1 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act No. 29 of 1999.

When an unauthorised expenditure is discovered, it is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written-off as irrecoverable in the statement of financial performance.

#### 1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets which are held for use in the production or supply of goods and services or for administrative purposes and are expected to be used during more than one financial period.

#### **Accounting Policies**

For the year ended 31 March 2015

An item of property, plant and equipment is recognised as an asset if it is probable that economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Tangible non-current assets are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions.

Tangible non-current assets are measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. These assets are depreciated on the straight-line basis at rates which will result in each asset being written off over its useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the entity will obtain ownership by the end of the lease term, then it is depreciated over its useful life and not the lease term.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. For the period under review the entity did not have items of property plant and equipment that have different useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within surplus or deficit.

#### **Residual values**

The residual value of an asset is determined as the estimated amount that could currently be obtained from the disposal of assets, after deducting the estimated costs of disposal, if the asset was already on the age and in the condition expected at the end of its useful life.

#### Depreciation

Depreciation is calculated based on the assets historical cost less residual value, using straight-line method over the useful life of the asset.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each financial year and adjusted if necessary.

The estimated useful lives of property, plant and equipment are:

#### **Accounting Policies**

For the year ended 31 March 2015

Class	Estimated useful life in years
Office equipment Vehicles	4 - 12 years 5 - 12 years
Computer Equipment	3 - 12 years
Furniture and Fittings	6 - 13 years
Leased equipment	3 years
Leasehold improvements	3 - 5 years
Farming equipment	3 - 5 years
Project assets	5 years

#### Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised when it is probable that the future economic benefits or service potential associated with the item will flow to the entity and its cost or fair value can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised as expenditure in the statement of financial performance.

Leasehold improvements are capitalised as the entity controls the assets for the period of the lease.

#### 1.8.1 Construction Work- in- Progress

Construction Work-in-Progress is a non-current asset account in which the costs of constructing longterm assets are recorded. The account Construction Work-in-Progress will have a debit balance and is reported on the statement of financial position as part of the entity's Property, Plant and Equipment.

The construction (WIP) includes materials, labour and overhead costs that are either directly related or allocated to the construction or development of an assets.

The costs of a constructed asset are accumulated in the account Construction Work-in-Progress until the asset is placed into service. When the asset is completed and placed into service, the account Construction Work-in-Progress will be credited for the accumulated costs of the asset and will be debited to the appropriate Property, Plant and Equipment account.

#### 1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

#### **Accounting Policies**

For the year ended 31 March 2015

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised on straight line basis over their useful lives.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible asset, and are recognised within the surplus or deficit

The amortisation period and the amortisation method for intangible assets are reviewed at the end of each reporting period.

Amortisation is provided to write down the intangible assets, on a straight line basis, over their useful lives from the date that they are available for use, as follows:

Item	Estimated useful life in years
Computer software	3-5 years

#### 1.10 Impairment Impairment of cash-generating assets

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the recoverable amount of the relevant asset is estimated.

A cash-generating asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the cash-generating asset's fair value less costs to sell and its value in use.

The recoverable amount is determined for individual assets, unless the asset generates cash inflows that are largely dependent on other assets or groups of assets. In this case the recoverable amount for the cash-generating unit is determined.

Value in use is the present value of the asset's remaining future cash flows that the entity expects to derive from the continuing use of the asset and from its disposal at the end of its useful life. The estimate of these cash flows is based on the asset's current condition, and by applying an appropriate discount rate.

#### **Accounting Policies**

For the year ended 31 March 2015

If there is an indication that an individual asset may be impaired, an impairment loss is recognised immediately in surplus and deficit when the asset's recoverable amount is less than the carrying amount. The impairment loss is recognised by reducing the asset's carrying amount to its recoverable amount. the impairment loss is treated as a revaluation decrease.

If the cash-generating asset belongs to a cash-generating unit, an impairment loss is recognised for the cash-generating unit if the recoverable amount of the unit is less than its carrying amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in statement of financial performance.

#### Impairment of non- cash-generating assets

#### Non-cash-generating assets are assets other than cash-generating assets.

At each reporting date, the entity reviews by considering the internal and external factors whether there is an indication that a non- cash generating assets may be impaired. If any such indication exists, the recoverable service amount of the asset is estimated.

A non-cash-generating asset will be impaired when its carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use is the present value of the asset's remaining service potential. This is Determined using one of three approaches: depreciated replacement cost, restoration cost or service units. The choice of the most appropriate approach depends on the availability of data and the nature of the impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable service amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in statement of financial performance.

#### **Accounting Policies**

For the year ended 31 March 2015

#### 1.11 Leases

#### Operating leases as the lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to statement of financial performance on a straight-line basis over the term of the relevant lease.

#### Finance leases as the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

#### Finance lease liabilities

Finance lease liabilities are initially recognised at the commencement of the lease term at the fair value of the leased asset, or the present value of the minimum lease payments (if lower). If it is not practicable to determine the interest rate implicit in the lease payments, the incremental borrowing rate of the entity will be used in the calculation.

Subsequent to initial measurement, the outstanding lease liability is periodically reduced over the lease term by that portion of the minimum lease payments that will result in finance charges being allocated over the lease term at a constant periodic interest rate on the remaining balance of the liability.

#### **1.12** Financial instruments

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest in accordance with the substance of the contractual arrangement.

#### **Accounting Policies**

For the year ended 31 March 2015

#### Initial recognition

Financial assets and liabilities are recognised in the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus, for instruments not subsequently measured at fair value and any directly attributable transaction costs.

The entity recognises financial assets using trade date accounting.

#### Measurement

#### Financial assets

The entity's financial assets comprise trade and other receivables and cash and cash equivalents. These financial assets are classified as financial assets at amortised cost.

Subsequent to initial recognition, non-derivative financial assets are measured as described below:

#### Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method. Short term receivables are not to be discounted to present values if the original credit period granted are in line with the public sector credit period.

#### Cash and cash equivalents

For purposes of the cash flow statement as well as the statement of financial position, cash and cash equivalents comprise cash on hand, deposits held and other short-term investments. Cash and cash equivalents are stated at amortised cost.

#### Financial liabilities

The entity's financial liabilities comprise of trade and other payables and finance lease liabilities. Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### **Accounting Policies**

For the year ended 31 March 2015

#### Trade and other payables

The entity's principal trade and other payables relates to the amount owed to the suppliers.

Trade and other payables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost, using the effective interest rate method. Interest expenses on these items are recognised in surplus or deficit and they are included in 'finance costs'.

The entity's accrual amount represents goods and services that have been delivered, and an invoice has been received from the supplier but remain unpaid as at year-end.

Short-term payables are not discounted to present values if the original credit period granted are in line with the public sector credit period. *Finance income, gains and losses* 

Finance income is recognised using the effective interest method with gains and losses recognised in the statement of financial performance (surplus or deficit).

Finance income includes interest earned on deposits and short terms investments. Finance cost includes interest on finance lease liabilities.

#### Method and significant assumptions in determining fair value

Fair values of financial assets, non-financial assets and liabilities have been determined for measurements and / or disclosure purposes based on the methods indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

The fair value of trade and other receivables is calculated as the present value of future cash flows, discounted at a market rate of interest at the reporting date.

Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### Offsetting a financial asset and a financial liability

The entity did not offset financial assets, financial liabilities and revenue and expenses in the statement of financial performance and position.

#### **Accounting Policies**

For the year ended 31 March 2015

#### Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

#### 1.13 Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### Measurement

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where some or all of the expenditure required to settle provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

#### **1.14 Inventories**

#### Initial recognition

Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity and that the cost of the inventories can be measured reliably.

# **Accounting Policies**

For the year ended 31 March 2015

### Measurement at recognition

Inventories that qualify for recognition as assets shall initially be measured at the lower of or net realisable value or current replacement cost. Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

#### Measurement after recognition

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the fist-in-first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Net realisable value for consumables is assumed to approximate the cost price due to the relatively short period that these assets are held in stock.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. For the period under review no inventory were written down.

## 1.15 Related parties

Related party transactions are transactions that involve the transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The remuneration of the council members and senior managers are disclosed under note 9 and 10 of the annual financial statements.

## **1.16** Commitments

Commitments represent the orders issued to the suppliers that have been approved, but where no delivery has taken place as at year end.

Commitments are not recognised in the statement of financial position as a liability and assets but are included in the disclosure notes.

Commitments are disclosed under note 30 of the annual financial statements.

# **Accounting Policies**

For the year ended 31 March 2015

# 1.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are beyond the control of the entity.

A contingent liability is a present obligation that arises from past events but is not recognised because:

• It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or

• The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed under note 29 of the financial statements.

# 1.18 Employee benefit cost

## Short -term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of financial performance in the reporting period that they are incurred.

Post employment benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The entity operates defined contribution retirement benefit plans for its employees. Payments to defined contribution plan are charged as an expense as they fall due in the statement of financial performance and they represent the contribution paid to these plans by the entity at a rate specified by the entity's policy.

Accrual for leave pay

Employee entitlements to annual leave are recognised when they accrue to employees. A provision based on the total cost to company is raised for estimated liabilities as a result of services rendered by employees up to the reporting date.

# **Accounting Policies**

For the year ended 31 March 2015

# 1.19 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in a separate statement of comparison of budget and actual amounts and material the budget differences and the basis of budget preparation are as per disclosure note 25 of these annual financial statements.

## 1.20 Comparative figures

Where necessary comparative figures have been adjusted to conform to changes in the presentation of the period under review as disclosed under note 31 of the annual financial statements.

# 1.21 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Board adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Board discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# 1.22 Effects of new GRAP standards

At the date of authorisation of these financial statements, the following accounting Standards of Generally Recognised Accounting Practice (GRAP) were in issue, but not yet effective;

- GRAP 20: Related Party Disclosures
- GRAP 32: Service Concession Arrangements
- GRAP 108: Statutory Receivables

The effective date of the above standards is not yet determined. The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements.

# Notes to the Annual Financial Statements

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
2. Non-exchange revenue		
Department of Agriculture – MTEF allocation	36 005	33 819
Other income/sponsorship received	40 796	26 074
Total	76 801	59 893
3. Exchange revenue		
Interest revenue	1 940	872
	1 940	872
4. Administrative expenses		
General administrative expenses	1 689	1 156
Audit committee fees	283	295
Audit fees: External	361	468
Bank charges	37	29
Internal audit fees	356	276
Promotions and publicity	135	122
Refreshments and catering	179	283
Stationery and printing	528	492
Training and development	655	286
Venues and facilities – office parking	304	280
Total	4 527	3 687
5. Personnel expenditure		
Salaries – non-senior management	15 620	13 775
Basic salaries	13 961	12 204
Performance awards	1 084	867
Other non-pensionable allowance	526	470
Leave payments on resignation	49	28
Retrenchment paid out	-	206
	2 102	1 949
UIF	69	59
Other salary related cost	259	225
Pension	1 774	1 665
Senior management remuneration	10 320	8 905
Council members' remuneration	544	763
Total	28 586	25 392

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
6. Operating expenses		
Communication costs	319	252
Consultants, contractors and special services	-	104
Courier and delivery charges	48	18
Computer consumables	22	13
Maintenance, repairs and running costs	79	56
Office Rent	3 185	2 180
- Municipal charges	220	203
- Levy costs	695	545
- Rentals in respect of operating lease	2 270	1 432
Research, workshops and investigations	35 034	22 585
Section 7 and workgroup investigations	958	1 502
Travel and subsistence	3 467	2 782
Total	43 112	29 492
7. Depreciation and amortisation		
Depreciation on property, plant and equipment	1 190	656
Amortisation on intangible assets	36	51
Total	1 226	707
8. Finance costs		
Finance leases	25	35
Total	25	35

# Notes to the Annual Financial Statements

For the year ended 31 March 2015

# 9. Council members' emoluments

		2015		
Members Name	Fees for services	Other payments	Total amount paid	Amount paid
	R'000	R′000	R'000	R'000
Ms Ntombi Msimang (Passed on in April 2014)	I	I	1	187
Ms Mina Gill	86	I	86	145
Mr A Hendricks (Appointed in May 2014)	42	I	42	I
Mr Andre Young	135	I	135	87
Mr AM Cronje	32	I	32	18
Dr LL Magingxa (Audit & Risk Committee member)	67	I	67	165
Dr JL Purchase	13	I	13	19
Mrs JM vd Merwe	66	I	66	46
Ms TE Zimu (Audit & Risk Committee member)	103	I	103	96
Total	544		544	763
			R'000	R'000
Remuneration paid to audit and risk committee members			283	295
Chairperson: P Slack			70	56
Member:GR Dinga			72	67
Member:AR Ngwenya (Audit & Risk Committee member and chairperson of Risk Managment Committee)			141	142

COUNCIL	cial Statements
<b>"URAL MARKETING COU</b>	<b>Annual Finan</b>
NATIONAL AGRICULTURA	Notes to the A

For the year ended 31 March 2015

# 10. Senior managers' emoluments

Members Name	Basic Salary	Allowances	Performance bonus	Pension contribution payments	UF	Other	Total amount paid 2015	Total amount paid 2014
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mr R Ramabulana - CEO	1 497	172	357	214	Μ		2 243	1 926
Ms F Muvhulawa - CFO	1 138	I	217	163	2	I	1 520	1 382
Mr Schalk Burger - Senior Manager – Statutory measures	883	I	168	126	7	I	1 179	1 073
Mr H Mohane Senior Manager – Agribusiness (Resigned in October 2013)	I	I	I	I	I	I	I	556
Mr Z Xalisa Senior Manager – Agritrust	883	I	168	126	2	I	1 179	1 136
Ms V. Nkobi - Senior Manager: Human resources	883	I	168	126	7	I	1 179	1 073
Dr. S Ngqangweni Senior Manager - MERC	883	I	168	126	2	I	1 179	918
Ms KC Mosoma	883		168	126	2		1 179	238
Senior Manager – Agribusiness							I	
Mr .T Maphathane - Compliance and Risk Manager								
	496	I	95	71	1	I	663	604
Total	7 546	172	1 509	1 078	15	·	10 320	8905

NCIL	
<b>ARKETING COUNCIL</b>	
ETING	
<b>AARKE</b>	2
IRAL N	
AGRICULTURAL	•
AGRIC	
IATIONAL A	
NATIC	

# Notes to the Annual Financial Statements

For the year ended 31 March 2015

and Equipment	
11. Property, Plant and	2014/15

Balan	Balances as at 01 April 2014	il 2014	Mov	Movement for the year	year	Balanc	Balances as at 31 March 2015	ch 2015
Cost	Accumulated depreciation	Net carrying amount	Additions	Disposal	Depreciation	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
318	(243)	75	15	I	(23)	246	(179)	67
370	(236)	134	351	43	(30)	458	(47)	411

Own Assets									
Office Equipment	318	(243)	75	15	I	(23)	246	(179)	67
Vehicles	370	(236)	134	351	43	(30)	458	(47)	411
Computer Equipment	1 050	(506)	544	475	19	(302)	1 480	(770)	710
Office Furniture & Fittings	812	(529)	283	182	I	(83)	992	(610)	382
Farming Equipment	36	(27)	6	I	I	(2)	36	(28)	8
Leased assets									
Leased office equipment	646	(378)	268	139	15	(205)	406	(219)	187
Leasehold improvements	1 239	(588)	651	24	I	(255)	1 263	(842)	421
Project related assets							I		
Project assets: NRMDP	I	I	I	1 902	I	(290)	1 902	(290)	1 612
Project assets: NRMDP (WIP)	527	ı	527	2 140	I	I	2 667	ı	2 667
Total	4 998	(2 507)	2 491	5 228	77	(1 190)	9 450	(2 985)	6 465

An amount of R73,000.00 received from insurance as proceeds for stolen computers.

(ETING COUNCIL	<b>inancial Statements</b>
NATIONAL AGRICULTURAL MARKI	Notes to the Annual F

For the year ended 31 March 2015

# 11. Property, Plant and Equipment (continued)

2013/14	Balanc	Balances as at 01 April 2013	il 2013	Mov	Movement for the year	year	Balanc	Balances as at 31 March 2014	ch 2014
	Cost amount	Accumulated depreciation	Net carrying amount	Additions	Disposal	Depreciation	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Own assets									
Office Equipment	306	(222)	84	12	I	(21)	318	(243)	75
Vehicles	370	(227)	143	I	I	(6)	370	(236)	134
Computer Equipment	836	(394)	442	340	57	(192)	1 050	(506)	544
Office Furniture & Fittings	789	(462)	327	23	I	(67)	812	(529)	283
Farming Equipment	36	(25)	11	I	I	(2)	36	(27)	0
Leased assets									
Leased office equipment	487	(308)	179	323	I	(235)	646	(378)	268
Leasehold improvements	510	(458)	52	730	I	(130)	1 239	(588)	651
Project related assets									
Project assets: NRMDP	I	I	I	527	I		527	I	527

An amount of R13,000.00 was received from insurance for the lost computer and damaged cellphone.

2 491

(2 507)

4 998

(656)

57

1 955

1 238

(2 096)

3 334

Total

# Notes to the Annual Financial Statements

For the year ended 31 March 2015

12. Intangible assets

h 2015	Net carrying amount	R'000	77	77
Balances as at 31 March 2015	Accumulated amortisation and impair- ment	R'000	(359)	(359)
Balano	Gross carry- ing amount	R'000	436	436
ear	Amortisation charge	R'000	(36)	(36)
Movement for the year	Disposal	R'000	Ι	I
Mc	Additions	R'000		ı
2014	Net carrying amount	R'000	113	113
Balances as at 01 April 2014	Accumulated depreciation	R'000	(323)	(323)
Balan	Gross carry- ing amount	R'000	436	436
2014/15			Computer software	Total

2013/14	Balan	Balances as at 01 April 2013	2013	Mo	Movement for the year	year	Balan	Balances as at 31 March 2014	ו 2014
	Gross carry- ing amount	Accumulated depreciation	Net carrying amount	Additions	Disposal	Amortisation charge	Gross carry- ing amount	Accumulated amortisation and impair- ment	Net carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R′000	R'000
Computer software	436	(272)	164		I	(51)	436	(323)	113
Total	436	(272)	164	ı	I	(51)	436	(323)	113

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
13. Inventory		
Consumable stores	56	53
Total	56	53
Inventories were not pledged as security.		
The amount of inventory recognised as expense in the current and prior period	145	99

The amount of any write-down of inventories is recognised as an expense in the period in which the reversal occurs. For the period under review no inventory were written down.

14.Receivables from exchange transactions		
Prepayments	345	650
Rental deposit (property lease)	251	251
Total	596	901
14.1 Receivables from non-exchange transact	ions	
Accrued income	4 458	456
Sundry debtors	-	8
	4 458	464

Age analysis of trade receivables/accrued income	20:	15 2014		
	Gross	Impairment	Gross	Impairment
Not past due	3 733	-	377	-
Past due for less than one month	-	-	79	-
Past due for longer than one month but for less than one year	725	-	-	-
Past due for longer than one year	-	-	-	-
Total	4 458	-	456	-

#### 15. Cash and cash equivalents

Current account	36 519	20 479
Cash on hand	2	3
Total	36 521	20 482

Cash and cash equivalents comprise cash and short-term highly liquid investments, that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. More than 3 months but not more than 6 months

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
16. Finance lease liability		
Finance lease liability	197	278
Less: Current portion	(137)	(168)
Outstanding balance	60	110

The National Agricultural Marketing Council has during the period under review made a total contribution of R288,000.00 to finance leases as defined in GRAP13.

The finance lease liability for the entity are photocopying machines. The interest rate implicit in the lease was estimated to be the prime rate at the inception of the lease. The entity leased photocopiers from Minolta and Cellular phone from Vodacom for a period of 36 and 24 months.

i) All the leases are for an agreed period of 24 - 36 months, with an option to renew.

ii) The photocopiers are installed and then the contract will continue on a monthly basis until the entity decides to terminate the contract with one month's written notice.

iii) The contract will be renewed for a period of one year if the entity does not give written notice of cancellation of contract.

Reconciliation between the minimum lease payments and the present value:

Future Minimum lease payments	197	278
Payable within 1 year	150	182
Payable within 2 - 5 years	62	119
Less interest portion	(15)	(23)
Present value of minimum lease payments	197	278
Payable within 1 year	137	168
Payable within 2 - 5 years	60	110

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

## 16.1. Finance lease liability

	2015	2014
	R'000	R'000
The entity as lessee		
Up to 1 year		
- Future minimum lease payments	150	182
- Less: Finance charges	(13)	(14)
- Present value of the future minimum lease payments	137	168
Between 2 and 5 years		
- Future minimum lease payments	62	119
- Less: Finance charges	(2)	(9)
Present value of the future minimum lease payments	60	110
17. Payables from exchange transactions		
Trade creditors	438	1 538
17.1 Employee benefits due		
Leave accrual	776	686
Total	1 214	2 224

The leave accrual is calculated by using the daily total cost to company of the employee, multiplied by the leave days due at year end.

### 17.2 Funds held in trust

Agricultural Marketing Scheme and (	Grain Farmer	- 1	176
Development Trust (AMS&GFD)			./0

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

18. Deferred revenue				2015
Name of project	Opening balance	Amount received	Amount utilised	Closing balance
Strategic Infrastructure Project: Sip 11	4 145	3 518	4 332	3 331
Vineyard Development Scheme	11 740	27 149	21 666	17 223
Supply Chain Logistic Programme (WesternCape)	452	-	378	74
National Red Meat Development Project	2 820	16 669	10 323	9 166
Agricultural Sector Education, Traning Authority (AgriSeta)	390	559	949	-
Agricultural Information Management System: (AIMS)	-	13 500	108	13 392
Norms and Standards	-	700	589	111
Total	19 547	62 095	38 345	43 297

				2014
Name of project	Opening balance	Amount received	Amount utilised	Closing balance
Strategic Infrastructure Project: Sip 11	-	10 000	5 855	4 145
Vineyard Development Scheme	-	23 656	11 916	11 740
Supply Chain Logistic Progrmme(WesternCape)	313	517	378	452
AgriBEE Study	292	420	712	-
National Redmeat Development Project	-	6 500	3 680	2 820
Agricultural Sector Education, Traning Authority (AgriSeta) (Accrued)	-	390	-	390
Norms and Standards				
Total	605	41 483	22 541	19 547

Deferred revenue reflects that amount of income received during the current and previous financial year, but which will be utilised in the 2015/16 financial year.

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
19. Reconciliation of surplus/(deficit) for the year to net cash flows from operating activities		
Surplus/(Deficit)	1 175	1 396
Adjusted for:		
Loss on disposal of property, plant & equipment.	78	57
Loss on disposal of inventory	12	-
- Amortisation on intangible assets	36	51
- Interest received	(1 940)	(872)
- Finance cost	25	35
- Depreciation on property, plant and equipment	1 190	656
Accrued income (reversal)	50	(50)
Operating cash flows before working capital changes	626	1 273
Working capital changes	18 883	18 578
(Increase)/decrease in receivable from exchange & non-exchange	(7, 600)	(4, 0, 4, 4)
transactions	(3 689)	(1 011)
(Increase)/decrease in inventory	(3)	6
Increase/(decrease) in payables	22 575	19 583
Net cash utilised in operations	19 509	19 850
20. Operating lease commitment		
Up to 1 year	2 441	2 144
Between 2 and 5 years	999	3 107
Total	3 440	5 251

	2 270	1 432
Amount deferred to the statement of financial position due to straight-lining	157	146

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

# 21. Financial instrument

#### Introduction and overview

This note represents information about the entity's exposure to each of the below risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### **Risk management**

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit and Risk Management Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

The entity has exposure to the following risks from its use of financial instruments:

Credit risk - the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk - the risk that the entity will not be able to meet its financial obligations as they fall due.

Market risk - the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. Market risk comprises interest rate risk, currency risk and other price risk.

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

The following are the carrying values of the NAMC's financial instruments per category:

		Carrying amount 2015	Carrying amount 2014
	Note	R'000	R'000
Financial assets at amortised cost		41 575	21 847
Cash and cash equivalents	15	36 521	20 482
Receivables	14	5 054	1 365
Financial liabilities at amortised cost	-	1 411	2 502
Finance leases	16	197	278
Payables	17	1 214	2 224

The following table presents the gains or losses per financial instrument category:

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
2015			
Interest income	1 940	-	1 940
Finance costs	-	(25)	(25)
Total	1 940	(25)	1 915

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
2014			
Interest income	872	-	872
Finance costs	-	(35)	(35)
Total	872	(35)	837

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

#### Exposure to risks: Credit risk

Financial assets, which potentially subject the entity to the risk of default by counter parties and thereby subject the entity to concentrations of credit risk, consist mainly of cash and cash equivalents and receivables. Receivables consists mainly of prepayments made to suppliers per request by the suppliers, rental deposits and trade receivables with a maximum exposure to credit risk equal to the carrying value of these instruments.

Cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and equivalents is limited.

Credit risk with respect to receivables is limited due to the nature of the NAMC's revenue transactions. The NAMC trades only with recognised, creditworthy third parties and all debtors are requested to settle their accounts within 30 days. The entity does not have any significant exposure to any individual customer or counter-party. Accordingly, the entity does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Receivables are presented net of the allowance for doubtful debts.

The maximum exposure to credit risk at the reporting date was:	Carrying amount 2015	Carrying amount 2014
	R'000	R'000
Financial assets at amortised cost	41 575	21 847
Cash and cash equivalents	36 521	20 482
Receivables	5 054	1 365

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

## 21. Financial instruments (continued)

The following table reflects the NAMC's exposure to liquidity risk from financial liabilities:

#### Exposure to risks: Liquidity risk

The entity minimises this risk by ensuring that enough cash reserves are available to cover its current liabilities through the analysis of the commitments against the cash available in our current and call accounts.

	2015		2014	
	Gross Impairment		Gross	Impairment
	R'000	R'000	R'000	R'000
Cash and equivalents	-	-	-	-
Neither past due nor impaired	36 521	-	20 482	-
Receivables	-	-	-	-
Neither past due nor impaired	5 054	-	1 365	-
Total	41 575	-	21 847	-

The following table provides information regarding the maturity analysis on NAMC's contractual undiscounted cash flows for its payables:

	Carrying amount	Total contractual cash flows	Not later than one year	2-5 years
	R'000	R'000	R'000	R'000
31-Mar-15				
Finance lease liabilities	197	197	137	60
Payables	1 214	1 214	1 214	-
Total	1 411	1 411	1 351	60

	Carrying amount	Total contractual cash flows	Not later than one year	1-5 years
	R'000	R'000	R'000	R'000
-Mar-14				
ance lease liabilities	278	278	168	110
oles	2 224	2 224	2 224	-
	2 502	2 502	2 392	110

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

#### 21. Financial instruments (continued)

#### Exposure to risk: Market risk

#### Interest rate risk

The entity's exposure to market risk (in the form of interest rates risk) arises primarily from the entity's investment in cash and cash equivalents and the obligations in respect of the entity's finance leases. The entity's financial assets and financial liabilities are managed in such a way that the fluctuations in variable rates do not have a material impact on the surplus or deficit as the entity settles its outstanding obligation within 30 days and interest on outstanding debts is charged monthly using the applicable interest rates. Refer to the sensitivity analysis below to illustrate the possible effect of changes in the variable interest rate on the financial assets and liabilities.

#### Concentration of interest rate risk

	2015	2014
Variable rate instruments	R'000	R'000
Financial assets	36 521	20 482
Financial liabilities	(197)	(278)
Total	36 324	20 204
Fixed rate instruments		
Financial liabilities: Accounts payable	1 214	2 224
Financial assets: Accounts receivable	5 054	1 365
Total	6 268	3 589

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

#### 21. Financial instruments (continued)

A 1% change in the market interest rate on the outstanding balances of the following instruments at year end will have the following effect per annum:

Increase/(decrease) in net surplus for the year	
Change in interest rate	Upward change
	R'000
1%	365
1%	(1)
	R'000
1%	205
1%	(1)
	surplus for the surplus for th

The upward and downward effect of the % change in interest rate would be immaterial and not bear a significant effect on the financial position.

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

2015	2014
R'000	R'000

### 22. Tax exemption

The NAMC is exempted from income tax in terms of Section 10(1) cA (i) of the Income Tax Act, 1962.

#### 23. Related parties

In accordance with the requirements of GRAP 20, all public entities within the national sphere of government are related parties.

Relationship	Name of related party
Executive Managers are regarded as related parties	
Controlling entity	Department of Agriculture, Forestry and Fisheries
National department - (under common control with controlling entity)	Department of Rural Development and Land Reform
Public entity - (under common control with NAMC)	Agricultural Research Council (ARC)

During the year the entity in the ordinary course of business entered into various transactions with related parties. Transactions entered into and balances outstanding between these parties are as follows:

#### **Related transactions**

The transaction with related party transactions indicates the amount received and receivable from related parties during 2014/15.	58 642	53 839
Agricultural Research Council (ARC)	1 750	-
Land and Agricultural Bank of South Africa	-	100
Department of Rural Development and Land Reform	16 669	9 500
Department of Agriculture, Forestry and Fisheries -Strategic Infrastructure Project and Norms and Standards	4 218	10 420
Department of Agriculture, Forestry and Fisheries - Grant	36 005	33 819

Key management personnel: refer to note 9 & 10 of the financial statements

Related parties balances		
Department of Agriculture, Forestry and Fisheries -Strategic Infrastructure Project and Norms and Standards	3 442	4 145
Department of Rural Development and Land Reform,	4 360	2 293
Land and Agricultural Bank of South Africa	_	50
Agricultural Research Council	1 750	-
The balances on related parties transactions indicates the surplus funding remaining to be utilised during the financial year 2015/16.	9 552	6 488

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

#### 24. Significant estimates and judgement made by management

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The entity has in the period under review assessed the useful lives of property plant and equipment and intangible assets.

The assumption used in determining the useful lives and residual values were based on the following:

- (i) Asset type and what it is made of.
- (ii) Asset special features.
- (iii) Asset condition i.e the physical condition and age of the assets.
- (iv) The rate of use of assets, number of users and location.
- (v) The residual value for vehicles were set at the industry second hand value

#### 25. Budget differences

#### 25.1 Material differences between budget and actual amounts

#### A. Revenue

An increase in revenue of R40.8 million mainly relates to additional amount received for sponsorship projects as disclosed under note 18 of the financial statements and also interest generated from investment of surplus funds.

#### **B.** Personnel expenditure

A variance of 26% on personnel expenditure is as a result of increase in the amount paid towards performance bonuses which is normally paid using interest generated from investments, annual salary adjustment of 6% and also personnel cost for National Red Meat Development Project employees paid through sponsorship project funding.

#### C. Administration expenses

A variance of 42% on administration expenses is as a result of a decrease in number of international trips and decrease in travel and accommodation line item. The saving on administration budget has been allocated to operating expenditure.

#### **D.Operating expenses**

A variance of 930% on operating expenditure is due to the increase in expenditure for sponsored projects: (SIP11, National Red Meat Development Project, Agricultural Information Management system, Norms & Standards and Vineyard Development Scheme project.

#### E. Depreciation

A variance of 67% on depreciation and amortisation due to the increase in the number of assets purchased for National Red Meat Development Project.

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

#### F. Informaton Technology cost

A variance of 91% on Information and Technology cost is due the increase in the monthly fees for the IT service provider which came into effect as from August 2014 as a result of the increase in responsibilities or duties performed by IT Service provider.

#### 25.2 Budget and the actual amounts basis of preparation and presentation

The budget is approved on an accrual basis by nature of classification. The approved budget covers the period from 1 April 2014 to 31 March 2015. The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using classification on the nature of expenses in the statement of financial performance.

#### 26. Change in accounting estimates

During the current period management have reviewed the useful lives and residual values of the entity's property, plant and equipment and have restated the depreciation figures prospectively. The effect of this review has decreased the depreciation charges for the current and future periods by R60,000.

#### 27. Fruitless and Wasteful expenditure

Opening balance Amount not condoned Less amount recovered **Closing balance** 

2015	2014
R'000	R'000
-	40
-	-
-	(40)
-	-

28. Reconciliation of irregular expenditure	2015	2014
	R'000	R'000
Opening balance	73	2 908
Add irregular expenditure understated in the previous financial year	219	833
Amount not condoned	-	-
Less amount condoned by accounting authority	-	-
Less amount recoverable (condoned)	-	-
Less amount not recoverable (not condoned)	(292)	(3 668)
Irregular expenditure awaiting condonation	-	73

#### Analysis of expenditure awaiting condonation per age analysis

Current year	-	-
Prior years		73
Total	-	73

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

Details of irregular expenditure - Current year		2015
	Disciplinary steps	
Incident	taken/criminal proceedings	'R000
	None	

Details of irregular expenditure not recoverable (not condoned)

The irregular expenditure relates to the understatement of irregular expenditure disclosed in the prior year 2013/14, as a result of the payment that was made to the supplier without a valid tax clearance certificate. The issues were submmitted to National Treasury for condonement, but was not condoned, and NAMC conducted the investigations but no one was liable as there was no finacial loss suffered by the entity, the irregular expenditure of R292,000.00 was written off by Council as per National Treasury guideline on irregular expenditure.

#### 30. Commitments schedule for the orders issued to the suppliers as at 31 March 2015

	2015	2014
Name of supplier	R′000	R'000
Capital Commitments		
Ditiro Trading and Construction Enterprise	133	
	133	

Nature of the contingent assets

The contingent assets disclosed are for materials purchased for the construction of feedlot which were not delivered as at year end.

Other commitments	10 238
SW Regenstein	57
Kgalagadi Trading and Investments	610
Namakwaland Konstruksies BK	1 906
Agrico (PTY) LTD	3 000
Nammic Engineering	1 102
KLK Landbou Beperk	1 101
JE Jansen	980
Kaap Agri Upington	275
Cape Vines Nurseries cc	233
Voor-Groenberg Nurseries cc	249
The Government Printing Works	2
Human Communications (PTY) LTD	5
Ulysses Tours & Safaris	16

# **Notes to the Annual Financial Statements**

For the year ended 31 March 2015

	2015	2014
	R'000	R'000
Diners Club International	6	
Avis Rent a Car	13	
Mudziwa Travel	16	
The Government Printing Works	1	
Ethics Monitoring & Management	55	
Kleine Zalze Lodge	35	
Southern Sun	1	
SAB & T Chartered accountants Inc.	129	
T & T Drilling (PTY) LTD	49	
Cafe 41 Groenkloof	1	
Protea Hotel Stellenbosch	180	
Die Michael Oosthuizen Family Trust	14	
Regenesys Management (Pty) Ltd	7	
TI Construction and Projects (PTY) LTD	195	
Total commitments	10 371	

#### 31. Prior period error

#### **Project assets**

#### Nature of prior period error

The correction of prior period error relates to the project assets( Work-in- Progress) that were supposed to be capitalised in the previous financial year 2013/14, but were however classified as operational expenditure. The other correction relates to the overstatement of revenue as a result of assets accounted for as revenue in the previous financial year.

2015	2014
R'000	R'000
	527
	(527)
	(527)
	527
	_

# **ANNEXURE A: CONTACT DETAILS**

# CONTACT DETAILS OF INDUSTRY TRUSTS

Name	Commodities	Contact details	Tel	Fax	E-mail and website	
Citrus Industry Trust	Citrus	Ms Elsa Taylor	012 667	012 667	emtaylor@iafrica.com	
		PO Box 359	3113	3128		
		GROENKLOOF				
		0027				
Cotton Trust	Cotton	Mr Hennie Bruwer	012 8041462	012 804 8616	henniebruwer@cottonsa.org.za	
		PO Box 912232	0041402	8010		
		SILVERTON				
		0127				
Deciduous Fruit	Deciduous fruit	Mr Anton Rabe	021 870 2900	021 871 1305	anton@hortgro.co.za	
Industry Development Trust		PO Box 163	2900	1303		
		PAARL				
		7620				
Dry Bean Trust	Dry beans	Mr CF Kleingeld	012 808 1660	012 808 1662	marketing@beanseed.co.za	
		PO Box 15587	1000	1002		
		PRETORIA			http://www.beans.co.za	
		0039				
Lucerne Seed Industry Research and	Lucerne	Mr Derick Engelbrecht	044 272 8991	044 329 2838	lusern@mweb.co.za	
Development Trust		PO Box 185	0991	2000		
		OUDTSHOORN				
		6620				
Maize Trust	Maize	Mr Leon du Plessis	012 807 3958	012 349 8707	l-lagric@mweb.co.za	
		PO Box 74626	3930	0/0/		
		Lynnwood Ridge				
		0040				
Meat Industry Trust	Red meat	Ms Alet du Plessis	012 348 7572		012 361 aletd@levyadmin.c 9837	aletd@levyadmin.co.za
		PO Box 36802	5057			
		MENLOPARK				
		0102				
Mohair Trust	Mohair	Mr Deon Saayman	041 487 1386	041 487 1336	info@mohair.co.za	
		PO Box 2243	1000			
		PORT ELIZABETH				
		6056				

# **CONTACT DETAILS**

# CONTACT DETAILS OF INDUSTRY TRUSTS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Oil and Protein Seed Development Trust	Oilseeds	Mr Gerhard Keun PO Box 5562	011 234 3400	011 234 3402	oliesade@worldonline.co.za
		RIVONIA			
Potato Industry	Potatoes	2128 Mr Gawie Geyer	012 349	012 325	ggeyer@agric.co.za
Development Trust		Private Bag x 135	1906	6102	www.potatoes.co.za
		PRETORIA			
		0001			
Sorghum Trust	Sorghum	Mr Leon du Plessis	012 807 3958	012 349 8707	l-lagric@mweb.co.za
		PO Box 74626			
		Lynnwood Ridge			
		0040			
Winter Cereal Trust	Winter cereals	Mr Awie Coetzee	012 663 1660	012 663 3109	wct@grainmilling.co.za
		PO Box 7088			
		CENTURION			
		0046			
SA Wine Industry Trust	Wine	Mr Charles Erasmus	021 809 3164	021 889 5900	www.sawit.co.za
		Private Bag x 5034			
		STELLENBOSCH			
		7599			
Wool Trust	Wool	Mr André van de Venter	041 484 4307	041 484 4309	andre@wooltrust.co.za
		PO Box 2500			
		PORT ELIZABETH			
		6056			

# **CONTACT DETAILS**

# CONTACT DETAILS OF ASSOCIATIONS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Cape Wool SA	Wool	Mr Louis de Beer PO Box 2191 Port Elizabeth 6056	041 484 4301	041 484 6792	louise@capewools.co.za www.capewools.co.za
Citrus Growers' Association of Southern Africa	Citrus	Mr Justin Chadwick PO Box 461 HILLCREST 3650	031 765 2514	031 765 8029	justchad@iafrica.com www.cga.co.za
Cotton SA	Cotton	Mr Hennie Bruwer PO Box 912232 SILVERTON 0127	012 804 1462	012 804 8616	http://www.cottonsa.org.za
Dried Fruit Technical Services	Dried fruit	Mr Dappies Smit PO Box 426 PAARL 7620	021 872 1502	021 872 2675	dappies@dtd.co.za
Lucerne Seed Organisation	Lucerne seed	Mr Derick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	lusern@mweb.co.za
Milk Producers' Organisation	Milk	Dr Koos Coetzee PO Box 1284 Pretoria 0001	012 843 5600	012 804 4811	Koos.coetzee@,po.co.za

# **CONTACT DETAILS**

# CONTACT DETAILS OF ASSOCIATIONS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Milk South Africa	Dairy	Mr Nico Fouche PO Box 1961 BROOKLYN SQUARE 0075	012 460 7312	012 460 9909	nico@milksa.co.za
Mohair South Africa	Mohair	Mr Deon Saayman P O Box 2243 SYDENHAM PE 6056	041 487 1386	041 487 1336	deon@mohair.co.za www.mohair.co.za
SATI (The South African Table Grape Industry)	Table grapes	Ms Elaine Alexander P O Box 2932 PAARL 7620	021 872 1438	021 872 4375	rhomona@satgi.co.za www.satgi.co.za
SAGIS (South African Grain Information Service)	Barley, canola, groundnuts, maize, oats, sorghum, soybeans, sunflower seed and wheat	Ms Anna Enslin PO Box 669 PRETORIA 0001	012 523 1400	012 523 1401	management @sagis.org.za www.sagis.org.za
South African Grain Laboratory	Wheat, oats, maize, malt, sorghum and other grains	Ms Wiana Louw PostNet Suite #391 Private Bag x1 The Willows 0041	012 807 4019	012 807 4160	Info@sagl.co.za www.sagl.co.za



# **Contact us:**

Private Bag X935, Pretoria, 0001 Block A, 4th Floor, Meintjiesplein Building 536 Frances Baard, Arcadia Tel: 012 341 1115 Fax: 012 341 1811 Email; info@namc.co.za Website: www.namc.co.za