



**STATUS REPORT ON
STATUTORY MEASURES
IMPLEMENTED IN TERMS OF THE MARKETING OF AGRICULTURAL
PRODUCTS ACT,
ACT NO. 47 OF 1996

2010 SURVEY**

A REPORT BY THE

NATIONAL AGRICULTURAL MARKETING COUNCIL

TO THE MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES

JULY 2011

CONTENTS

1.	SUMMARY	5
2.	BACKGROUND	8
2.1	ORIGIN OF STATUTORY MEASURES	9
2.2	DIRECTLY AFFECTED GROUPS	11
2.3	DECLARATION OF AGRICULTURAL PRODUCTS	12
2.4	POLICIES AND PROCEDURES	13
2.5	LEGAL OPINIONS	15
2.6	INSPECTORS	18
3.	CURRENT STATUTORY MEASURES	20
3.1	SUMMARY OF STATUTORY MEASURES APPLICABLE IN SOUTH AFRICA	20
3.2	SURVEY CONDUCTED BY THE NAMC	21
3.3	WORKSHOP ON STATUTORY MEASURES HELD BY THE NAMC	23
4.	REGISTRATION, RECORDS AND RETURNS	27
4.1	INTRODUCTION	27
4.2	AGRICULTURAL INFORMATION	28
4.3	STATUS OF REGISTRATION, RECORDS AND RETURNS IN INDUSTRIES	30
5.	LEVIES	44
5.1	INTRODUCTION	44
5.2	LEVY INCOME	52
5.3	LEVY EXPENDITURE	55
6.	VIEWPOINTS OF LEVY ADMINISTRATORS	72
7.	CHECKOFF SYSTEM IN THE USA	77
8.	CONCLUSIONS	81

STATUS OF STATUTORY MEASURES – 2010 SURVEY

LIST OF TABLES

Table 1:	A summary of statutory measures	20
Table 2:	Number of registrations and returns	30
Table 3:	Statutory levies reviewed	45
Table 4:	Total amount of statutory levies collected	52
Table 5:	Levy expenditure and allocation to functions	56
Table 6:	Levy income and amount spent on transformation	61
Table 7:	Levy income and expenditure	66
Table 8:	Production and number of producers in industries that have statutory levies	67
Table 9:	Production and number of producers for 2009 and 2010	68
Table 10:	Agricultural products subjected to statutory levies	70

LIST OF GRAPHS

Graph 1:	Levies collected per industry for three years	53
Graph 2:	Levies collected per industry sector	53
Graph 3:	Levy expenditure for three years	55
Graph 4:	Past three years' application of levy funds	57
Graph 5:	Levy funds spend on information and industry liaison	58
Graph 6:	Levy funds spend on research	59
Graph 7:	Levy funds spend on transformation	60
Graph 8:	Levy funds spend on local consumer education/promotion	63
Graph 9:	Levy funds spend on export promotion/market access	64

LIST OF ANNEXURES

Annexure A:	Declaration of agricultural products	84
Annexure B:	Workshop on statutory measures held on 17 February 2011	85
Annexure C:	Contact details of Levy Administrators and Transformation Managers	88
Annexure D:	Research projects funded by statutory levies	90
Annexure E:	Transformation projects funded by statutory levies	96

ABBREVIATIONS

AgriBEE	Agricultural Broad-Based Black Economic Empowerment
ARC	Agricultural Research Council
BEE	Black Economic Empowerment
CGA	Citrus Growers' Association
DAFF	Department of Agriculture, Forestry and Fisheries
DFPT	Deciduous Fruit Producers' Trust
DFTS	Dried Fruit Technical Services
MAP Act	Marketing of Agricultural Products Act, No. 47 of 1996
MPO	Milk Producers' Organisation
NAMC	National Agricultural Marketing Council
NERPO	National Emergent Red Meat Producers' Organisation
NLO	National Lucerne Organisation
PPECB	Perishable Products Export Control Board
RMIF	Red Meat Industry Forum
RMLA	Red Meat Levy Admin (Pty) Ltd.
SAGIS	South African Grain Information Service
SAMGA	South African Mango Growers' Association
SAMIC	South African Meat Industry Company
SAPA	Southern African Poultry Association
SAPPO	South African Pork Producers' Organisation
SATI	South African Table Grape Industry
SAWIS	South African Wine Industry Information and Systems
USA	United States of America
WCDA	Western Cape Department of Agriculture
WCT	Winter Cereal Trust
WIDA	Wine Industry Development Association
Winetech	Wine Industry Network of Expertise and Technology
WOSA	Wines of South Africa

1. SUMMARY

The Marketing of Agricultural Products Act, No. 47 of 1996 (MAP Act), as amended, provides for the establishment of statutory measures, namely registration, records and returns, statutory levies, and the control of exports of agricultural products. Once a statutory measure is approved and promulgated in the Government *Gazette* by the Minister of Agriculture, Forestry and Fisheries (henceforth referred to as the Minister), it becomes enforceable and legal action may be taken against those who fail to adhere to it.

Section 9 of the MAP Act directs that the National Agricultural Marketing Council (NAMC) shall monitor the application of statutory measures and report thereon to the Minister, and shall evaluate and review such measures at least every two years. Since 2001 the NAMC has conducted an annual review of all statutory measures implemented in terms of the MAP Act (the statutory measures implemented are levies, records and returns, and registration). This review (2010 survey) is the eleventh report on statutory measures submitted to the Minister.

The purpose of this report is to give the Minister a summary of all statutory measures promulgated in the relevant agricultural industries, and to report on the impact of these on the objectives of the MAP Act, namely to increase market access for all market participants, to promote the efficiency of the marketing of agricultural products, to optimise export earnings from agricultural products, and to enhance the viability of the agricultural sector.

In this review the following statutory measures are reported on: registration, records and returns, and levies. Registration is a statutory measure implemented in some agricultural sectors for the purpose of building a database of industry role players such as exporters, importers, and processors. Records and returns are implemented for the collection and dissemination of generic market information.

Although these statutory measures are essential in the administration and inspection of statutory levies, the main objective of these measures is to provide a database of all role players involved in the industry, and to gather information necessary for industry role players to take informed decisions about production and marketing issues in a particular industry.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Registration, records and returns, and levies complement each other, as in most cases statutory levies are collected to fund the information function (made possible by registration and records and returns). This is regarded as one of the main functions to be funded by levies, while registration and records and returns are measures that assist in drafting the business plan and budget in levy applications, in levy collection, and in measuring the rate of levy collection and the efficiency of levy collection, as well as in identifying levy defaulters.

A statutory levy is a charge per unit of an agricultural commodity at any point in the marketing chain between the producer and the consumer. It is collected for specific functions such as funding for research, information, or transformation. This report provides information on the amount collected through statutory levies (approximately R306.5 million), to analyse the amount spent (approximately R315.2 million) and the areas of application. These amounts may be verified by referring to the audited financial statements of the relevant levy administrators.

Although the total gross value of agricultural production for 2009/10 decreased by 0.9 % from the previous year (attributed mainly to a decrease in the value of field crops), levy income showed an increase of 16.4 % in 2010 compared to the 2009 survey. This increase can be attributed to new levies in the poultry and deciduous fruit industries that were reported for the first time. If these “new” levies are not taken into account, levy income is approximately the same as that reported in the 2009 survey.

This review shows that approximately R315.2 million was spent on industry functions. This represents a 13.8 % increase in expenditure on essential industry functions, compared to the 2009 survey. Of the total amount of R315.2 million, approximately 32 % was spent on research, 21 % on transformation projects, 13 % on local consumer education, 10 % on export promotion, and 11 % on information (more detail in Table 5 on page 56).

Statutory measures are enabling growth in the agricultural sector by means of effective information management and communication and the funding of research, transformation, and other essential functions. Other countries, such as the United States of America, Canada, Mexico, Uruguay, Norway, Australia and others, use statutory measures to a far greater extent than in South Africa. More and more industries are considering statutory measures and will apply for ministerial approval in the years to come.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

The NAMC is of the opinion that the participation of role players in the effective implementation of statutory measures, in order to benefit from essential industry functions, is laudable. There is no way in which R306.5 million could be collected to promote the objectives of the MAP Act other than by the orderly implementation and effective administration of statutory measures.

The NAMC's findings on the current status of statutory measures promulgated in terms of the MAP Act, as reviewed for the latest audited financial year period for each administrator, are hereby presented to the Minister.

2. BACKGROUND

The MAP Act stipulates that any directly affected group may apply for statutory measures, namely statutory levies, control of the export of agricultural products, records and returns, and registration, provided that the procedures prescribed in Section 10 of the Act are followed. These procedures are summarised in paragraph 2.4.

The MAP Act further stipulates that the Minister shall only consider a request for the establishment of a statutory measure if the request is consistent with the objectives as set out in Section 2 of the Act. These are:

- (a) to increase market access for all market participants;
- (b) to promote the efficiency of the marketing of agricultural products;
- (c) to optimise export earnings from agricultural products; and
- (d) to enhance the viability of the agricultural sector.

No statutory measure or prohibition in terms of Section 22 (prohibition of import and export of agricultural products) that is likely to be substantially detrimental to food security, the number of employment opportunities within the economy or fair labour practices, may be instituted in terms of the MAP Act.

Amongst other things, the functions of the NAMC, as stipulated in Section 9 of the MAP Act, are to investigate the establishment, continuation, amendment or revocation of statutory measures affecting the marketing of agricultural products, and to evaluate the desirability, necessity or efficiency and if necessary propose alternatives to the establishment, continuation, amendment or repeal of a statutory measure, and to report to and advise the Minister accordingly. Furthermore, the NAMC may direct any institution or body of persons designated for the purpose of implementing or administering a statutory measure to furnish the Council with such information pertaining to the statutory measure as the Council or the Minister may require.

Section 9 further directs that the NAMC shall monitor the application of statutory measures and report thereon to the Minister, and shall evaluate and review such measures at least every two years. Since 2001 the NAMC has conducted an annual review of all statutory measures implemented in terms of the MAP Act (the statutory measures implemented are levies, records and returns, and registration).

This review (2010 survey) is the eleventh report on statutory measures submitted to the Minister.

2.1 Origin of statutory measures

The pressure for Government intervention in agricultural markets has existed since the 1900s. Prior to World War I, there were a number of Government initiatives to expand South African exports of agricultural products. These initiatives included reduced ocean freight and transport rates, reduced insurance, and the provision of grading, storage, and inspection facilities at the ports. There were also measures to support the exportation of ostrich feathers as well as Government promotion of the agricultural co-operative movement. Since the 1920s, several studies and investigations have been commissioned to evaluate agricultural marketing in South Africa and the need for Government intervention. This was the start of the regulation of South Africa's agricultural markets and the subsequent increase of statutory controls.

The growth of statutory controls over agricultural marketing took place in three phases:

- Commodity specific controls were instituted during the 1920s in respect of three commodities (wine, sugar, and tobacco);
- commodity-specific interventions expanded during and following the Depression (1930 – 1936), affecting maize, wheat, livestock, and dairy products; and
- marketing controls were initiated, extended, and managed in terms of the 1937 Marketing Act and later the 1968 Marketing Act.

The 1937 Marketing Act provided the legal framework for statutory interventions in agricultural marketing. Other objectives of the 1937 Marketing Act were to increase productive efficiency of farming and to narrow the gap between producer and consumer prices. The 1968 Marketing Act (Act No. 59 of 1968), which replaced the 1937 Marketing Act, provided for a system whereby farmer-dominated control boards administered "marketing schemes", which, with the approval of the Minister, permitted statutory measures in agricultural marketing. These measures included registration, records and returns, levies, pool schemes, single-channel marketing schemes and surplus removal schemes. Statutory levies were used to fund information, grading, research, quality control, and other functions performed by the control boards at that time.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Since the early 1990s, a number of studies on agricultural marketing and legislation have been completed which have eventually led to the closure of all the former agricultural control boards. These studies include the Kassier Report (December 1992), the Report of the Board of Tariffs and Trade on the agricultural board system (June 1992), the Agricultural Marketing Products Evaluation Committee (AMPEC) Reports (January and April 1994), the Wium Report (March 1996), the Jacobsberg Report (September 1996), and the Monograph of Brendan Bailey (March 2000).

Deregulation in the South African agricultural industry began when the 1968 Marketing Act was repealed and replaced by the MAP Act, with effect from 1 January 1997. The implementation of the MAP Act signalled the abolishment of agricultural marketing schemes established in terms of the 1968 Marketing Act and of measures introduced in terms of that Act.

The purpose of the 1996 Marketing Act was to promote market liberalisation/deregulation, to make industry structures more representative, and to promote transformation in the agricultural sector. Since 1996, industries have recognised the need to continue certain essential functions that were previously performed by the control boards, such as the collection and dissemination of information, the conducting of research and the implementation of grading systems. As well as the formation of industry trusts, forums were established for most industries on which all directly affected groups in the value chain are represented. Section 21 companies were also established to perform specific industry functions that had been carried out by the former control boards. These include Cotton SA, the South African Grain Information Service (SAGIS) and the South African Meat Industry Company (SAMIC).

In some cases, trust funds were sufficient to finance the basic industry needs, for example the Maize Trust and the Oil and Protein Seeds Development Trust. In many other industries, statutory levies were the only source for the collection of sufficient funds to continue essential functions. Another option was voluntary funding (used by Grain SA and the National Lucerne Organisation). Voluntary funding may, however, expose industries to uncertainty, as voluntary levies have a short life span and are not successful in the funding of research, market information and development projects. Structures within the relevant industries, such as Section 21 companies, have been established to manage these necessary functions, the continuation of which could be put at risk if payments were withheld for any reason, as these functions are dependent on a continuous flow of funds.

Statutory measures are usually considered and recommended at forum meetings where all directly affected groups are represented. They are administered by Section 21 companies or, in some cases, by trusts (as in the case of sorghum and winter cereals).

Statutory measures are enabling growth in the agricultural sector by means of effective information management and communication and the funding of research, transformation, and other essential functions. Other countries, such as the United States of America, Canada, Mexico, Uruguay, Norway, Australia and others, use statutory measures to a far greater extent than in South Africa. More and more industries are considering statutory measures and will apply for ministerial approval in the years to come.

2.2 Directly affected groups

The MAP Act defines a directly affected group as any group of persons that is party to the production, sale, purchase, processing or consumption of an agricultural product, and includes labour employed in the production or processing of such a product.

Apart from the definition as stated above, the MAP Act stipulates the following with regard to directly affected groups:

Section 11 (2): Consideration of request for a statutory measure:

Upon receipt of such a request, the Council shall publish a notice setting out particulars of the request and an explanation in connection therewith in the 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 lodge any objections or representations relating to the request within a specified time;

Section 20: Register of directly affected groups:

(1) The Minister shall by notice in the Gazette and through the news media invite any group of persons which regards itself as a group that is directly affected, or potentially directly affected, by this Act or any market intervention in terms thereof and which complies with the criteria determined by the Council and set out in the said notice, to furnish the Council with full particulars regarding the reasons why it regards itself so to be affected or potentially affected, its composition, its address, and any other information that may be required.

(2) The Council shall keep a register of all the particulars received in terms of subsection (1).

Since 1997, the NAMC has been keeping a register of all the particulars received from the directly affected groups, for each agricultural commodity. Groups are also invited to register with the NAMC, and those who are registered are requested in an annual advertisement in the *Government Gazette* and other news media to update their particulars. The response to these advertisements has always been positive, and approximately 800 groups are currently registered with the NAMC.

The register is used to bring applications for statutory measures to the attention of directly affected groups and to invite such directly affected groups to lodge any objections or representations relating to a request for intervention in the agricultural sector within a specified time. The viewpoints of directly affected groups are incorporated in the NAMC's recommendations to the Minister.

Although many other countries make use of statutory measures such as levies, only Australia refers to a "Register of potential and existing levy payers". Australia's agricultural legislation specifies that an industry body is responsible for the establishment of this register, which is used as a voting register for a levy ballot to measure support for a proposed statutory levy.

2.3 Declaration of agricultural products

Statutory measures are implemented for a specific agricultural product. The MAP Act initially stipulated in its definition that an "agricultural product" is a primary product declared as an agricultural product in terms of subsection (2) of the MAP Act. This definition was amended on 14 November 1997 by the deleting of the word "primary", to read that an agricultural product is a product declared as an agricultural product. Subsection (2) of the MAP Act stipulates that:

- (2)(a) *The Minister may by notice in the Gazette, after consultation with the Council, declare any product to be an agricultural product for the purposes of this Act, and may amend or repeal any such notice.*
- (b) *Every notice issued under paragraph (a) shall be laid upon the table in Parliament and Parliament may thereupon confirm, amend or reject such notice or any specific declaration in any such notice.*
- (c) *Every declaration made under paragraph (a) shall be valid until repealed under paragraph (a) or rejected under paragraph (b).*

The Minister declared a list of products as agricultural products for the purpose of the MAP Act on 4 September 1997 (Government Gazette Notice No. R. 1189). Since then, statutory measures on various agricultural products have been approved and promulgated. Where statutory measures were requested on products not particularly declared as agricultural products, or where uncertainties

existed as to whether products were included or not, the notice regarding the declaration of agricultural products was amended. Amendments were approved and promulgated in Government Notices No. R. 487 of 23 April 1999, No. R. 1148 of 2 December 2005 and No. R. 553 of 22 May 2009, in order to add products such as “juice of grapes and products derived therefrom”, “dairy products”, “olives”, “honeybees”, “horses” and others. The list of agricultural products declared as such, as amended, is attached as Annexure A to this report.

Recently, the grain milling industry considered statutory measures (registration, records and returns) for the orderly collection and dissemination of information on processed maize and wheat products. The current published declaration of agricultural products does not include these products and needs to be amended. Possible amendments to the list of agricultural products, to be declared as agricultural products for the purposes of the MAP Act, is still being considered by the NAMC.

2.4 Policies and procedures

In order for a directly affected group to apply to the Minister for a statutory measure, the requirements of the MAP Act and the policy and guidelines used by the NAMC need to be considered, as summarised in this section.

The particulars required in terms of Section 10(2) of the MAP Act, to be included in a request for the establishment of a statutory measure, are as follows:

- the agricultural product to which the statutory measure relates,
- the categories of directly affected groups that may be affected by the proposed intervention,
- the geographical areas in which the statutory measure applies,
- the manner in which the objectives of the Act will be furthered,
- the business plan to be implemented,
- the duration of the statutory measure,
- a suitable vehicle for implementation,
- inspection and enforcement, and
- financial implications for the fiscus.

Section 15(4)(a) of the MAP Act stipulates that a statutory levy may not exceed 5 % of the price realised for a specific agricultural product at the first point of sale. The maximum of 5 % must be based on a guideline price, calculated as the average price at the first point of sale over a period not exceeding three years.

Apart from the above, the following additional considerations may influence the Minister's decision:

Is the statutory levy going to finance a public good?

The definition of a public good is a good or service that is not competitive and non-excludable. Furthermore, there must be indications that the benefit of the statutory levy will be more than the cost of the statutory levy.

Is there sufficient support within the industry?

Generally, for the collection of a statutory levy to be feasible, it has to have a reasonable degree of support within the industry. The NAMC advises the Minister as to the degree of support for a statutory levy in the industry. The NAMC uses the guideline that at least two-thirds of persons responsible for paying the levy (based on their market share in the relevant industry), or two-thirds of producers and two-thirds of production, should support the application for statutory levies. If there is evidence of a lack of sufficient support for a statutory levy, the NAMC will not recommend it for the Minister's approval.

The NAMC expects the following from agricultural industries that use statutory levies:

- fairness to all directly affected groups,
- responsiveness to industry challenges,
- focus on long-term strategic planning,
- good financial management,
- education services for board directors/members/trustees regarding their roles and responsibilities,
- a clear communication strategy to directly affected groups, and
- succession planning (empowerment).

The approval of statutory levies is subject to the following conditions:

- that 70 % of levy income be spent on activities such as research, information and other functions, a maximum of 10 % on administration, and approximately 20 % on transformation

(development of emerging farmers in line with the Agricultural Black Economic Empowerment (AgriBEE) balanced scorecard);

- that the levy administrator submit its annual audited financial statements to the NAMC and the Auditor-General with the percentage allocated towards transformation clearly indicated, and accompanied by a report stating how the objectives of the levy have been met;
- that levies must be accounted for, in a manner and to the extent acceptable to the Auditor-General, separately from any other funds or assets under the control of the levy administrator; and
- that surplus funds should not form part of the assets of the administering body and shall be utilised at the discretion of the Minister after the lapsing of the levy period (for example, after four years).

2.5 Legal opinions with regard to statutory measures

During the past few years, several legal opinions with regard to statutory measures have been provided to the NAMC. These are summarised below.

Matter between Milk SA and Douglasdale Dairies:

Shortly after the levy on milk was promulgated on 23 December 2003, a dairy processor (Douglasdale Dairies) summoned the Minister of Agriculture, the NAMC, Milk SA (the levy administrator), the South African Milk Processors' Organisation (SAMPRO) and the Dairy Standard Agency, with the purpose of setting aside the dairy statutory measures. After consultation between the first four respondents and their senior counsels, it was agreed that the regulations were "too deficient" and that they could only be remedied by the imposition of new regulations. The new regulations were promulgated on 23 December 2005. During the dairy court case it was also found that the dairy levies that were promulgated on 19 December 2003 were introduced on milk and other dairy products (e.g. butter, cream, cheese and yogurt), while only milk was declared (at that time) as an agricultural product for the purposes of the MAP Act. Consequently, this "loophole" was rectified when the other dairy products were also declared as agricultural products for the purposes of the MAP Act (refer to Notice No. R. 1148 dated 2 December 2005). The "definitions" of other agricultural products for purposes of the MAP Act, e.g. deciduous fruit, grains, oilseeds, olives, potatoes and red meat, were simultaneously "expanded" to prevent similar problems to those experienced in the dairy industry.

Opinion on the application of statutory levies in the dairy industry: response by Milk SA to Impact Distributors:

Government Notice No. R. 1823 of 19 December 2003, which imposed certain levies on dairy products, was replaced by Notice No. R. 1221 of 23 December 2005. This was due to perceived flaws in the first notice and the threat of a court case by Douglasdale Dairy, which had resulted in only a small percentage of levies being paid. Douglasdale settled the matter out of court. Impact Distributors had paid levies in terms of the 2003 notice, and requested Milk SA either to credit the amount, or to set the amount off against future levies due, or else to enforce the 2003 notice on all role players in order to ensure a fair and equal dispensation. Milk SA rejected the request and referred the matter to the Minister, as it stated that it acted under the instruction of the Minister.

The legal opinion was that Milk SA (the administrator of the statutory levies) was an autonomous body, which was entrusted by the Minister (Section 13 of the Map Act) to enforce and administer the levy regulations. The levies did not form part of the assets of Milk SA but Milk SA had the ability to sue or be sued in its own right and to enforce the regulations within the conditions as set out in the regulations. Milk SA could therefore take a decision on its own regarding the request by Impact Distributors and did not need to refer the matter to the Minister or the NAMC for a decision.

Interest on levies not paid within the time stipulated in the notice:

Milk SA requested that the levy notices be amended by inserting a paragraph that interest would automatically be charged at the rate prescribed under the Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975) (PRI Act) on levies not paid within the time stipulated in the notice.

In the legal opinion on this request the fundamental problems with Milk SA's request and motivation were listed as follows:

Is interest payable on outstanding levies?

The opinion was that interest on outstanding or overdue levies is automatically claimable from the levy payers by Milk SA. No amendment to the levy notice is necessary for interest to be payable on the overdue and outstanding levies. The rate, according to legislation, is 15.5 % per annum.

Is Milk SA authorised to collect interest on outstanding levies if payable?

Milk SA is authorised to implement, administer and enforce the levies. It is a well known principle of administrative law that when a statute confers certain powers, it impliedly also authorises that which is reasonably necessary to exercise the powers conferred, or is reasonably incidental to those powers. The legal opinion was that Milk SA is accordingly authorised to debit, claim and collect interest on unpaid and overdue levies.

Matter between the Maize Board and Epol (does a statutory levy constitute a tax?):

The Maize Board (the Plaintiff) sought to recover levies from Epol in 1995. It is common cause that a summons was issued by the plaintiff more than 3 years but less than 30 years after the claim. The defendant raised a special plea of prescription to the claim and alleged that a 3-year prescription period in terms of the Prescription Act was applicable in this matter. The plaintiff, on the other hand, argued that the levies constituted “a debt in respect of any taxation imposed or levied” and that a 30-year prescription period accordingly applied. The issue therefore in question was whether the levies constituted a “taxation” in terms of the Prescription Act. After an analysis of the levies in question, Judge Tshabalala came to the conclusion that the levies do not constitute a tax.

This was referred to the DAFF’s Directorate Legal Services for legal opinion. It was confirmed that the judgement is not to be construed as applying to all statutory levies in general because it is pertinently concerned with general and special levies within the purport of the 1968 Marketing Act and the Maize Marketing Scheme.

Statutory levy issues: SA Poultry Association:

Levies were introduced on 9 October 2009 on broiler chickens and packed eggs, to be administered by the Southern African Poultry Association (SAPA). SAPA requested legal opinion on the following questions:

- For which purpose may the levies be used? and
- May interest be charged on unpaid or overdue levies and may interest be charged retrospectively?

The DAFF’s Directorate Legal Services made the following remarks:

Statutory measures are subordinate or delegated legislation. The delegated power must be determined by interpreting the empowering legislation. The validity of subordinate legislation should be considered against the empowering legislation, namely the MAP Act. The statutory measures on levies are clear, in that not more than 10 % of the funds shall be used for administration, and therefore SAPA can use 10 % of levy funds for any administration costs incurred by SAPA. It is the responsibility of SAPA, as administrator, to implement, administer and enforce the statutory levies.

Interest may be charged at a prescribed rate on a debt that bears interest. The prescribed rate as published in Government Notice No. R1814 of 1 October 1993 is 15.5 %, and is charged at the time when such interest begins to run. SAPA may therefore charge interest on overdue levies from the date on which those levies became overdue.

2.6 Inspectors

In terms of Section 21 of the MAP Act, the Minister may designate and authorise a person as an inspector to perform certain functions as prescribed in the Act. The aim of authorising and designating persons as inspectors is to ensure the orderly and correct payment of statutory levies as prescribed by regulation in the Government Gazette. The inspectors are issued with certificates signed by the Minister to specify the promulgated statutory measures that may be inspected by them.

The NAMC makes recommendations to the Minister, based on the following:

- Inspection services should be related to a specific statutory measure which has been introduced.
- Applicants should be involved in the actual administration of that specific statutory measure.
- Transformation should be promoted in the nomination of inspectors.
- Governmental organisations can also nominate a person to be appointed as inspector.

The NAMC is responsible for the administration of the appointment of inspectors. A database of inspectors is kept at the offices of the NAMC.

The high collection rate in most of the statutory levies applicable is the result of effective inspection services in most of the industries.

With regard to accurate information, SAGIS has a number of inspectors to verify information collected by means of records and returns. These inspectors play an important role in measuring the reliability of the information. Their activities include:

- **Physical stock surveys**

During these surveys all the premises of a co-worker are visited and all whole grain in stock is measured (the volume of storage facilities is determined, which is mostly obtained from engineering plans, the physical measurements of the volume of the tonnage at hand, etc.). The tonnage in stock is compared to the stock according to the books of the co-worker and that which was declared on the returns.

- **Audit of records and source documents**

A random test is done on source documents, comparing these to the return in order to determine the reasonable accurateness and completeness of the return.

- **Recruitment of co-workers**

Firms that are identified during the audits as being compelled to submit information, but that have not yet been registered, are followed up and registered.

- **Training of co-workers**

The inspectors ensure that the personnel of co-workers are trained to complete the returns correctly.

The NAMC is concerned about the fact that industries find it difficult to promote transformation in the nomination of inspectors. The main reason could be the NAMC's guideline that specifies that not more than 10 % of levy income may be spent on administration of the statutory measure. That makes it impossible in some industries to pay reasonable salaries to new inspectors while they still need to be trained in the duties and difficulties of inspection. There are often not persons with the necessary experience and knowledge of the particular industry and the way of levy collection available, but the NAMC continuously motivates industries to train possible candidates as inspectors.

3. CURRENT STATUTORY MEASURES

3.1 Summary of statutory measures applicable in South Africa

The following table summarises the statutory measures that were applicable in the agricultural sector in terms of the 2010 survey:

TABLE 1: A SUMMARY OF STATUTORY MEASURES

INDUSTRY	Administration body	Statutory Measures		
		Statutory levy	Records and returns	Registration
Citrus exported	Citrus Growers' Association	√	√	√
Cotton	Cotton SA	√	√	√
Dairy	Milk SA	√	√	√
Deciduous fruit	Deciduous Fruit Producers' Trust	√	√	√
Dried fruit	Dried Fruit Technical Services	√	√	√
Grains (maize, oilseeds, sorghum, and winter cereals)	South African Grain Information Service (SAGIS)		√	√
Lucerne	National Lucerne Organisation		√	√
Milk	Milk Producers' Organisation		√	√
Mohair	Mohair SA		√	√
Pork	SA Pork Producers' Organisation	√	√	√
Potatoes	Potatoes SA	√	√	√
Poultry and eggs	Southern African Poultry Association	√	√	√
Red meat	Red Meat Levy Admin	√	√	√
Sorghum	Sorghum Trust	√		
Table grapes exported	SA Table Grape Industry	√	√	√
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) and Wine Industry Development Association (WIDA) (transformation)	√	√	√
Winter cereals	Winter Cereal Trust	√		
Wool	Cape Wools SA		√	√

There are currently 19 industries that have registration, records and returns, and 13 industries that have statutory levies. If every specific levy on every specific product is counted, for example apples, pears, plums, etc., 66 different levies are currently payable in South Africa (see detail on levies in Table 3 on page 45).

3.2 Survey conducted by the NAMC

In order to monitor the application of statutory measures and to report thereon to the Minister, the NAMC has developed questionnaires relating to statutory measures, which were sent to the administrators of these statutory measures on 17 January 2011. The questionnaires were completed and returned to the NAMC to be processed to compile this report. Administrators were also requested to attach audited financial statements to the completed questionnaires so that the NAMC could verify the information provided in the completed questionnaires.

The questionnaires included the following:

INFORMATION PERTAINING TO REGISTRATION, RECORDS AND RETURNS

1. Source of funding, income and expenditure related to the administration of registration, records and returns for the past financial year.
2. Number of persons/co-workers registered pertaining to your industry.
3. Number of co-workers who provided information during the reporting period.
4. Comparison of potential and actual returns.
5. Type of information and time of circulation to the industry.
6. Processes followed in the verification of information.
7. Processes followed to ensure the confidentiality of information.
8. List of users of the information.
9. Positive effect of these statutory measures in your industry.
10. Concerns raised by the Competition Commission regarding statutory information collected or disseminated, if any.
11. Challenges faced and possible solutions pertaining to these statutory measures.

INFORMATION PERTAINING TO STATUTORY LEVIES

1. Financial period relevant to the information provided.
2. Total actual levy income compared to budgeted income in the reporting period.
3. Reasons for differences in actual and budgeted levy income, if applicable.
4. Breakdown of levy income at each collection point or role player in the value chain, if applicable.
5. Success rate (percentage) in levy collection.
6. Reasons for and action taken with regard to levy defaulters.
7. Scope and nature of donors and partners in respect of cost sharing initiatives (funds received other

STATUS OF STATUTORY MEASURES – 2010 SURVEY

- than levy funds) e.g. from National or Provincial Departments.
8. Detailed summary of expenditure on functions funded by levies.
 9. Decision-making processes followed with regard to the allocation of levy funds/funding of projects.
 10. Impact, benefits or burdens on producers, other role players and consumers as a result of the projects funded by levies.
 11. Details of problems encountered in levy administration, and proposals to solve these problems.

INDUSTRY INFORMATION

- | | | | |
|-----|---------------------------------|---------------|--------------|
| 12. | Production of product – | <i>Export</i> | <i>Local</i> |
| | <i>By commercial producers:</i> | _____ | _____ |
| | <i>By developing farmers:</i> | _____ | _____ |
| | <i>By BEE “partnerships”:</i> | _____ | _____ |
| | <i>Total:</i> | _____ | _____ |
13. Total value (at first point of sale) of local production.
 14. Quantity of product levied in the relevant period –

<i>Local market:</i>	_____
<i>Exports:</i>	_____
<i>Imports:</i>	_____
 15. Size of the informal sector (not liable to pay statutory levies).
 16. Number of producers –

<i>Commercial producers:</i>	_____
<i>Developing farmers:</i>	_____
<i>BEE “partnerships” projects:</i>	_____

TRANSFORMATION INFORMATION

17. Description of all transformation projects that are being funded by the statutory levy under review.
18. Reasons for spending less than 20 % of levy income on transformation, if applicable, and corrective action plans.
19. Challenges faced by your industry and/or successes with regard to transformation programmes.
20. Database of developing farmers/role players and contact details or other information on this sector of your industry.

The administrators of statutory measures all provided the information as listed in the questionnaires. The NAMC appreciates their positive co-operation in this regard. The responses were, in most cases, accompanied by the applicable audited financial statements. The NAMC is concerned about the fact that industries find it difficult to get their financial statements audited within a reasonable time.

3.3 Workshop on statutory measures held by the NAMC

On 17 February 2011, the NAMC held a workshop for key industry role players, the NAMC and the DAFF, where discussions focused on how statutory measures could be used to improve the competitiveness of the agricultural sector.

The following key topics were discussed and summarised as follows:

Current status of statutory measures:

Issues regarding statutory measures were debated, namely the support base within the industry for the statutory measures; how to reduce the time lag from the application to the implementation; rollover funds (the delay in receiving the levies); and proposals regarding matching grants by Government, as has been done in Australia.

Agricultural information and partnerships:

The study done for the NAMC that focused on the sharing of information within the agricultural sector, bearing in mind the Competition Commission's requirements, was discussed. Exchange of information (i.e. the collection and publication of statistics) is a legitimate function of associations of undertakings, but it can have an adverse effect on competition, especially where:

- it serves to reduce or remove uncertainties inherent in the process of competition; or
- it inhibits individual undertakings' commercial and competitive independence; or
- it influences future competitive behaviour.

It was suggested that industry associations should:

- revisit constitutional provisions dealing with the collection of data and the dissemination of information;
- consider a new theoretical basis for determining levies payable, voting rights and representation on boards; and
- create awareness of the scope and impact of competition policy among members.

The overreaction by certain companies/associations who refused to provide any information is created by the uncertainty within the market, and is due to the fact that no guidelines exist. Lastly, it was felt that Government should provide clear guidelines (along the lines of international examples)

customised for the purposes of our own Competition Act. It was mentioned that information is provided by associations due to Government's failure in this regard. A workshop was held on 28 February 2011 where the results of the information study were shared with industry.

Cost sharing initiatives undertaken in the Western Cape between the private sector and the provincial government:

Many cost sharing initiatives exist and a commodity-targeted approach is followed by implementing unique/tailor-made plans.

The current cost sharing initiative between industry and the Western Cape Department of Agriculture (WCDA) in the Western Cape focuses on a tree planting scheme which was launched in November 2008 and was based on an initial 1,000 new hectares over 5 years with 5 ha per member. The beneficiaries are 100 % black owned or equity schemes. The partnership stipulated that 1) the WCDA provide funds for soil preparation, irrigation and trellising; 2) the industry provide plant material, technical and other support; 3) producers provide the annual production cost; and 4) Comprehensive Agricultural Support Programme (CASP), the supporting equipment and inputs.

Statutory measures provide a stable basis from which to initiate these projects, which would not have been possible without them. National roll-out is required, and other partners, not only government departments but also the private sector, should be lobbied to get involved (exporters, input suppliers, banks).

Transformation in the agricultural industry

The transformation that we need is one that radically reshapes the structure of opportunity for all South Africans. For sustainable growth, the country needs to prioritise the nurturing of an expanding entrepreneurial middle class, rather than redistribution to crony capitalists. The AgriBEE Transformation Charter is an attempt at this approach – an accord to build our future.

While there have been many efforts and some successes, especially from private sector side, not enough new opportunities have been created and there has not been sufficient and successful development due to various reasons.

Role players in agriculture need to think critically and anew about the utilising of our limited resources. Statutory measures should also be considered to be used more effectively to create more and better opportunities. Insufficient dialogue between Government and the private sector in this regard should be addressed.

In principle the industries strongly support statutory levies primarily for research, but also for other purposes, such as transformation. However, we must bear in mind that it is primarily a direct tax on the producer, and if the producer feels he does not get fair value (value proposition), he will not participate and will consider a voluntary levy. The current minimum 20 % ring-fencing for transformation is regarded fair, but the top limit.

The current system and structure of statutory measures has much merit, and accountability due to the legal framework is important, but the system must not be too prescriptive. In fact a case-by-case approach is needed to meet the specific needs of the different industries, and also for transformation.

Industries need to take responsibility for sound implementation, and the NAMC for sound oversight. The transformation focus must be on creating more and better opportunities for black role players, and on assisting to create access to finance, access to information/extension/mentorship, and access to markets.

Integration of smallholders and especially black commercial producers into commercial value chains is of critical importance in order to establish and ensure sustainable value chains. It is important to build on a solid basis that is already producing results, albeit with modest progress.

Study on generic promotion

Evidence exists for the positive effects of generic promotion. But generic promotion is only one of many factors affecting the demand for 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

STATUS OF STATUTORY MEASURES – 2010 SURVEY

product is not homogenous and is easy to differentiate. The specific objectives of generic promotion are to increase sales or contain reductions at given prices, augment prices or at least contain reductions, and induce consumer loyalty.

The workshop concluded that the need exists within the agricultural industry to debate key issues and to share information on the practicalities of implementing statutory measures successfully.

More information on the discussions at the Workshop is attached as Annexure B.

4. REGISTRATION, RECORDS AND RETURNS

4.1 Introduction

In terms of Sections 18 and 19 of the MAP Act, the Minister may, by notice in the *Gazette*, direct that any person mentioned with regard to an agricultural product or class thereof, to which the notice pertains and which such person has in his or her possession or under his or her control, shall be registered as specified in the notice.

Furthermore, the Minister may, by notice in the *Gazette*, direct that any person shall keep such records and returns as may be specified with regard to the agricultural products or classes thereof to which the notice pertains and which such person has in his or her possession or under his or her control, and may direct that such records and returns be furnished to the institution or body of persons referred to in the notice. Such records and returns shall be kept for the period, or furnished at the time and in the manner determined in the notice.

Although these statutory measures are essential for the administration and inspection of statutory levies, the main objective of these measures is to provide a database of all role players involved in the industry and to gather information necessary for industry role players to take informed decisions about production and marketing issues in a particular industry.

Registration, records and returns and levies complement each other, as in most cases statutory levies are collected to fund the information function (made possible by registration, records and returns). This is regarded as one of the main functions to be funded by levies, while registration and records and returns are measures that assist in drafting the business plan and budget in levy applications, in levy collection, and in measuring the rate of levy collection and the efficiency of levy collection, as well as in identifying levy defaulters.

4.2 Agricultural information

The maintenance of macro industry information is regarded as critical for strategic planning by all agricultural industries, as well as for individual directly affected groups. In order for the market to operate effectively, industries regard the supply of generic market information to all role players, on a continuous basis, as essential.

Farmers need reliable, up-to-date market indicators for production planning and marketing of products. In the era of the one-channel marketing dispensation, marketing boards fulfilled this requirement. Industry organisations continued with this service after the deregulation of the market. Unfortunately, with the current Competition Act, certain problems have come to the fore with regards to the sharing of information. The Competition Commission had concerns regarding information exchange between and from Industry Associations, as this could create a basis for anti-competitive behaviour. Industry organisations are directly affected by this legislation and this has led to the situation where certain important market information could not be disseminated to farmers.

At the CEO Forum meeting on 18 March 2010, a request was put to the CEO Forum Steering Committee to engage with the Competition Commission on information exchange facilitated/managed by industry associations. Agri SA and its commodity affiliates tasked the NAMC to lead the process of engagement with relevant role players and to report on market information. The NAMC consequently investigated information exchange in the agro-food industry, and presented its report and findings at a workshop held on 28 February 2011. The aim of this workshop was to debate the need for information within the ambit of industry associations. Following this workshop, the CEO Forum Steering Committee will engage with the Competition Commission to compile guidelines for stakeholders to follow when engaging in information exchange.

Participants agreed that various aggregated figures must be available to create transparent market signals. Market signals include variables such as production, demand, price, import, export, factors that influence future production, as well as estimated future demand.

It was recommended that industries/value chains should establish information service bodies/institutions that are independent from commercial interest, in order to gather information and to distribute and disseminate it to all role players in the industry at the same time. SAGIS is an

example of how this can be done successfully.

Alternatively, a completely separate statutory or government body, or the NAMC, can be tasked to collect and provide information, but this would not be the preferred option for industry. Interpretation of the term “independence” is very important and it should be well defined and described in association constitutions. Associations have to make sure that what is written in their constitution is in line with the Competition Act. Industry associations’ constitutions must convince the Competition Commission that the association acts according to the law. The better a constitution is written, the better it will allow enactment and self-policing thereof.

The “objectives” clause of a constitution normally refers to information collection, management and dissemination. How these processes are carried out needs to be described in order to satisfy the requirements of the Competition Act, and specifically the clauses referring to information exchange. Applications for membership should also include a written undertaking from the applicant to act according to the Competition Act.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

4.3 Status of registration, records and returns

Registration is a statutory measure that specifies the persons in a value chain who should register in a specific commodity. As indicated in Table 2 below, approximately 20 000 role players are registered in total for the 19 industries for which this measure is implemented. These role players include producers, processors, importers, exporters, retailers, etc.

Statutory measures relating to records and returns are also implemented for the same 19 industries, for the purpose of collecting market information. A total of approximately 21 000 returns were administered by the relevant industries. The role players responsible for rendering returns differ in each industry and are not necessarily the same as the role players who registered. For example, in the cotton industry all producers, ginnerers and spinners have to register (1 891 role players in total) while only the nine ginnerers and spinners provide monthly returns to Cotton SA.

TABLE 2: NUMBER OF REGISTRATIONS AND RETURNS

Industry	Number of role players registered	Number of returns
Citrus	321	321
Cotton lint	1 891	9
Dairy products and milk	3 069	6 456
Deciduous fruit	240	186
Dried fruit	1 200	30
Pork	164	1 776
Potatoes	718	718
Poultry	229	9
Red meat	541	424
SAGIS (maize, oilseeds, sorghum, winter cereals)	721	1 300
Wine and table grapes	3 826	3 826
Wool	7 021	7 021
Mohair	12	12
Lucerne	31	31
TOTAL	19 984	22 119

STATUS OF STATUTORY MEASURES – 2010 SURVEY

The following statutory measures with regard to registration, records and returns are applicable and were reported on by the relevant industries:

Citrus Growers' Association

All exporters and all producers shall register with the Citrus Growers' Association (CGA) and all exporters and all producers shall keep such records and render the returns as may be required by the CGA relating to export citrus fruit produced, received, sold, exported, or otherwise utilised. The Perishable Products Export Control Board (PPECB) shall render a copy of all export certificates and any information required by the CGA.

The purpose of the requirement to register was to ensure that all exporters paid the levy. There are 321 registered exporters. The Department of Agriculture, Forestry and Fisheries keeps a full list of all growers who export citrus, but unfortunately the CGA has not had access to this list. It is estimated that there are 1 400 growers of export citrus. All information pertaining to the 321 exporters was provided by PPECB.

The information provided includes:

- the annual crop prediction – sent to the industry at the end of March;
- the southern hemisphere crop forecast – sent early in May;
- the Statistics Booklet – annual information circulated to the industry once a year in April or May;
- weekly packed information – sent to the industry weekly during the citrus season;
- weekly shipped information – sent to the industry weekly during the citrus season;
- weekly southern hemisphere shipped information – supplied weekly during the citrus season;
- annual Mediterranean citrus industry information – circulated in October;
- global citrus teleconference information – supplied three times a year, normally in April, July and October;
- the Global Citrus Scan – weekly information from citrus articles in the press;
- the newsletter – sent weekly; and
- the tree census – sent with the statistics booklet.

Reliable, up-to-date information leads to informed decision-making. When independent information is provided, all involved in the export chain can disregard rumours and make decisions based on good information. Service providers can determine capacity requirements; infrastructure can be planned and provided. International sharing of information means that markets can be supplied in a more orderly manner.

Cotton SA

All persons who produce seed cotton, buy seed cotton from producers, process seed cotton, purchase cotton lint from producers or ginnerers, and who import or export cotton, shall register with Cotton SA and keep records and render returns to Cotton SA.

A total of 1 882 cotton producers, four ginnerers and five spinners are currently registered at Cotton SA. During the reporting year, five ginnerers and five spinners provided information (one ginner closed down in 2009). Information on local seed cotton and cotton lint stocks, production and consumption data, as well as crop estimate data are disseminated to the industry, within approximately one month after the month when the returns are expected. Due to the small size of the industry and the limited number of persons required to submit statutory returns, no specific verification is deemed necessary. Cotton data supplied by ginnerers in their monthly returns are however verified annually by the ginnerers' auditors, as levies payable are based on this information.

The information is used by local cotton producers, ginnerers and spinners, the public, Government, internet users and international governments and industry organisations.

The market information obtained until now by way of these statutory measures has proved to be invaluable to Cotton SA in its capacity as the industry forum, as well as in the advancement of its main objectives such as the stimulation of the production and the usage of cotton; the enhancement of the marketability of cotton through research; the establishment of quality standards and norms and the facilitation of the development of the emerging cotton production sector.

Information has also proved to be indispensable to producers, ginnerers and spinners during discussions concerning informal marketing arrangements. Market information obtained by way of statutory measures is also essential for the effective functioning of the import rebate permit system administered by the DAFF, which in turn contributes to the efficient marketing of cotton, increased market access and the enhancement of the viability of the cotton industry.

Deciduous Fruit Producers' Trust

All producers, exporters and traders of stone fruit and pome fruit for fresh domestic consumption and/or exports must register with the Deciduous Fruit Producers' Trust (DFPT).

All producers, exporters, traders and processors of apples, pears, plums, peaches, nectarines and apricots shall keep such records and render the returns as may be required by the DFPT relating to:

- (a) vines and trees surveys,
- (b) the volume of apples, pears, plums, peaches, nectarines and apricots destined for domestic fresh consumption and/or export, and
- (c) the volume of apples destined for processing of juice concentrate

During the year under review, 240 persons were registered, while 186 persons provided information.

Information was disseminated as follows:

- Key Deciduous Fruit Statistics – containing statistical information regarding the industry. This information is updated annually and made available in hard copy as well as on the official website (www.hortgro.co.za).
- SA Fruit Journal – an industry as well as scientific publication that is published bi-monthly – 6 editions per year.
- Industry newsletters – e-mailed to all growers once a month and also made available on the website.
- Export newsletters – containing export crop estimates, volumes exported per market. This information is made available weekly via e-mails and can be accessed through the website.
- Export price model – updated weekly and can be accessed by growers on the website.
- General industry enquiries – as required.
- WAPA (World Apple and Pear Association) reports.

Information from institutions such as PPECB is used to verify industry information. Information received from exporters is also verified with individual producers on a random test basis. No individual information pertaining to contact or individual producer or product details is made or will be made available without the written consent of the owner or producer. Only aggregated figures of the industry or a region are published and made available to third parties. A limited number of co-workers has access to the grower database and is responsible for updating or abstracting

information. This ensures the accuracy as well the confidentiality of the information.

The statutory measures concerned and the information collected thereby ensure bargaining power for the industry regarding issues such lowering input costs, labour legislation, all legislation impacting on the industry, and all agricultural policies or policies that will have an impact on the primary producers. It further creates an enabling and informative environment which aids producers in their decision-making. Information increases the demand for deciduous fruit ,as well creating awareness and educating foreigners about South Africa in order to expand our market share.

One of the critical challenges relates to information sharing and the clarification of the regulation of the Competition Commission. One of the industry's core functions relates to information sharing with different role players.

Dried Fruit Technical Services

All importers, packers, exporters and processors of dried fruit shall register with Dried Fruit Technical Services (DFTS). These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.

Each importer, packer, exporter and processor of dried fruit shall keep complete records for each calendar month in respect of dried fruit handled, imported or exported. These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.

A total of 1 200 persons are registered with DFTS, of whom 30 provided information during the year under review. Information was circulated to the industry as follows:

- Key Deciduous Fruit Statistics – contains statistical information regarding the industry.
- SA Fruit Journal – an industry as well as scientific publication that is published bi-monthly – 6 editions per year.
- Industry newsletters – e-mailed to all growers once a month.

Milk SA

All persons, except retailers, who buy milk from producers with the purpose of selling it as milk or processed milk products, and importers of milk and certain dairy products, and producer-distributors of milk and dairy products should register with Milk SA and submit monthly records on the quantity of milk produced and the quantity of milk bought.

A total of 383 role players are registered and provide information to Milk SA. These role players consist of 160 milk buyers, 81 importers and 142 producers-distributors. The actual returns received during the reporting year amounted to 3 770, and Milk SA tests the integrity of information provided via its web-based information system on a monthly basis. The information on milk production and consumption is used by producers, processors, government institutions, importers, exporters, input suppliers as well as international bodies.

The positive effects of these statutory measures in the milk industry include the following:

- Without them the industry would have had far less understanding of the variables that drive the industry.
- The statutory regulations empower the organised dairy industry and individual role players to benchmark a variety of aspects against national and international standards and to improve on these.
- They allow the dairy industry to broaden the market for milk and dairy products, to improve the international competitiveness of the industry, and to empower previously disadvantaged individuals and communities.

Milk Producers' Organisation

All milk producers shall register with the Milk Producers' Organisation (MPO). Milk producers shall keep records and furnish returns with regard to milk in their possession or under their control to the MPO.

The total expenditure of R453 200 for administering these statutory measures was funded by Milk SA and the MPO. A total of 2 686 producers were registered and submitted returns to the MPO during the reporting year.

Information collected includes participation in Cattle Brucellosis and Tuberculosis schemes, the number of cows, breeding programmes, milk production, etc. Information is verified and protected by the MPO. Information is circulated to the industry through publications on a bi-annual basis.

National Lucerne Organisation

All lucerne seed and hay dealers must register with the National Lucerne Organisation (NLO) and must keep complete records of seed and hay locally received, imported, exported or sold, and of balances on hand at the end of each month. They must furnish returns to the NLO.

During the reporting period, 31 role players were registered and provided information to the NLO. Monthly information on seed and hay received from producers, plus imports and exports, are collected and disseminated.

Mohair SA

All producers, brokers, traders or mohair buyers, processors, importers and exporters should register with Mohair SA. Funding is received from the Mohair Trust, and the cost of administering the measures for the past year amounted to R66 000.

A total of five brokers and seven buyers are registered, and the information provided is weekly weigh-in data from all brokers as well as export and import figures for mohair. The collection and verification of data is done by an independent organisation used by Mohair SA for the statutory records. All information is sourced by this independent third party, therefore confidentiality is ensured. The users of information are widespread and include brokers, buyers, processors, producers, manufacturers and international users of mohair.

Potatoes SA

Potato producers, traders, processors, exporters, importers, certification bodies, export inspection bodies, kraft paper importers, kraft paper manufacturers, potato sack manufacturers, potato sack importers and fresh produce market owners, and, if appointed, their agents must keep records and submit returns to the administrators of the Potato Industry Development Trust (Potatoes SA).

STATUS OF STATUTORY MEASURES – 2010 SURVEY

A total of 718 persons were registered and provided returns to Potatoes SA. These include 5 bag manufacturers, 1 certification service provider, 5 importers, 13 exporters, 11 processors, 12 retailers, 23 fresh produce markets and 648 producers. This enabled Potatoes SA to provide production and marketing information on a daily, weekly and monthly basis.

Southern African Poultry Association (SAPA)

Breeders of day-old female parent broiler chickens and suppliers of packaging material for the packing of eggs should register with and keep records and render returns to the Southern African Poultry Association (SAPA). A total of 229 companies have registered with SAPA while nine provided information during the reporting year.

The information collected is solely focused on levies collected and its application. Formal audit processes are used to verify information received from the relevant role players, and contracts are in place between the levy administrator and suppliers of information that ensure the confidentiality of the information.

A particular benefit of these statutory measures is that all industry participants responsible for levy payment can be inspected – so there are no “free-riders”, as there were in the past when only certain companies contributed voluntarily.

South African Grain Information Service (SAGIS)

The South African Grain Information Service (SAGIS), a Section 21 company, is funded by the four Member Trusts, namely the Maize, Winter Cereal, Sorghum and Oil and Protein Seeds Development Trusts. SAGIS was specifically established for the purpose of handling information gathering, processing and dissemination on behalf of the various cereal and oilseed industries in South Africa. All income and expenditure of SAGIS is, therefore, related to the administration of registration, records and returns for the nine relevant cereals, and amounts to approximately R7.5 million per annum.

All end-consumers, importers, storers, exporters and processors of grain and oilseeds shall register as such with SAGIS.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Each end-consumer, importer, storer, exporter and processor of grain and oilseeds shall keep complete records for each calendar month in respect of grain and oilseeds handled, imported or exported. These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.

Furthermore, each end-consumer, importer, storer, exporter and processor of maize and/or wheat shall keep complete records for each week (Saturday to Friday) in respect of maize and/or wheat imported or exported. These shall also include any person, for example a producer, trader, transporter, agent, etc., who acts in the capacity or on behalf of the aforementioned persons.

The statutory measure related to weekly records and returns to SAGIS by role players for imports and exports of whole maize and whole wheat was in force since 2004 in terms of the MAP Act. This enables SAGIS to publish macro maize and wheat import and export information on a weekly basis for the grain industry and other interested parties as a task separate to its main task of monthly national marketing information collection and dissemination. The weekly reporting on macro maize and wheat imports and exports is necessary for more efficient and effective planning, risk management and marketing of maize and/or wheat for food security.

The information gathered by SAGIS by means of records and returns is available free of cost on SAGIS's website. This allows interested parties access whenever they need the information.

A total of 721 firms were registered with SAGIS on 31 January 2011, and between 1 264 and 1 339 returns were received per month during the reporting year. A firm can be registered for more than one cereal or oilseed, therefore the number of potential returns is more than the total registrations. The co-workers provide monthly information, of which 138 provide returns on weekly producer deliveries and 96 returns on weekly imports/exports.

SAGIS releases the following information:

- **Monthly Bulletin:**
This has one page per commodity with stocks, producer deliveries, imports, exports and consumption. It is released towards the end of each month.
- **Weekly Bulletin:**
A collection of local and international information such as prices, stocks, import parity prices,

economic indicators, the food prices of Statistics SA, weather conditions, etc. This is usually released on the SAGIS website by the second working day of every week.

- Weekly imports and exports (maize and wheat):

This is usually released on the SAGIS website by the second working day of every week.

- Weekly producer deliveries (maize and wheat):

This is usually released on the SAGIS website by the third working day of every week, per grade for maize and in total for wheat.

- Website (www.sagis.org.za):

The above-mentioned information plus a historic database and much more are available on the website.

Various actions are continuously executed to verify the reliability of the information. These actions include, inter alia:

- Internal control measures:

Controls and cross references on the returns and in the computer system; and

- Internal audits:

Verifying information with data obtained from sources that are not statutorily compelled (e.g. harbour instances, PPECB, Spoornet, Department of Trade and Industry (DTI), etc.);

- External control measures:

Auditing of the source documents of co-workers and stocktaking by SAGIS's inspectors;

- Presentations to forums and testing the satisfaction of industries with the information; and
- Continuous negotiations with possible external sources with regard to their possible participation.

SAGIS's stock figure is the physical stock stored in commercial structures at a given point in time. This stock is not necessarily available for marketing as it might include whole grain/oilseeds that has already been contracted. The Crop Estimates Committee (CEC) of DAFF is responsible for the national crop estimates. These can, for various reasons, differ from SAGIS's producer deliveries. SAGIS's producer deliveries represent deliveries by producers in commercial structures on premises of co-workers registered with SAGIS and, therefore, do not include retentions on farms.

The information is not only used locally for strategic decisions regarding planting intentions, marketing and stocks, but also internationally and by South Africa's neighbours in Africa. The

International Grains Council mentioned SAGIS during 2003 as an example for the rest of the world concerning the quality and speed with which information should be processed and made available.

SA Pork Producers' Organisation (SAPPO)

Abattoirs slaughtering pigs for commercial use other than for own consumption, and exporters of live pigs must keep records and render returns as may be required by the levy administrator. There were 162 registered pig abattoirs, while two exporters of live pigs registered. A total of 1 776 actual returns were handled, and inspectors employed by SAMIC verified the information provided. Reliable information on the number of abattoirs that slaughter pigs as well as actual slaughtering figures are available on the Red Meat Levy Admin (Pty) Ltd. (RMLA) website, every two months. Trends in the industry can be determined with this information.

Meat Statutory Measure Services

The RMLA was appointed by the Meat Statutory Measure Service, which is the custodian of the levy fund in the red meat industry. The RMLA's aim is to provide the function of levy administrator on behalf of the Red Meat Industry Forum.

All agents, processors, traders, owners, importers, exporters and abattoirs must register with the levy administrator. All agents, processors, traders, owners, importers and exporters shall keep such records and render the returns as may be required by the levy administrator for designated animals, red meat products, meat products, hides and skins.

A total of 541 persons are registered, while 424 provided information during the reporting period. This enabled the RMLA to provide statistics with regard to:

- the slaughter of designated animals;
- the export of live designated animals;
- the import and export of meat products;
- the import and export of hides of designated animals;
- the local production of hides of designated animals;
- pork meat used in the meat processing business;
- commission earned by livestock agents; and
- meat retailers and meat outlets.

Statistical information on quantities is published every second month on the website of the RMLA. Inspectors verify information provided, and the information is used for levy collection and information purposes.

SA Table Grape Industry

All producers and exporters of table grapes shall register with the South African Table Grape Industry (SATI) and keep such records and render such returns as may be required by SATI relating to:

- (a) vine surveys and
- (b) the volume of grapes destined for export.

The information collected by means of registration, records and returns is used solely for levy collection purposes. Information is verified against information obtained from the PPECB from their intake inspection data and shipped exports data provided by shipping companies. Procedures as required by the Public Access to Information Act are followed and employees sign confidentiality agreements.

Wine Industry – SAWIS (information)

All bottlers, grape producers, wine exporters, wine producers and wine traders must register with South African Wine Industry Information and Systems (SAWIS) and must keep records and render returns on vines, grapes, grape juice, and wine produced, received, stored, sold, exported or otherwise utilised.

The number of persons registered who are currently active in the industry is as follows:

- Primary producers – 3 667 (including 524 Private Cellars)
- Wine Cellars who crushed grapes – 57 Producer Cellars, 524 Private Cellars, 23 Producing Wholesalers, 61 Wholesalers (including the mentioned Producing Wholesalers), 41 Exporters (buy bulk wine for export only). There are 941 registered private wine producers of whom 524 are active.
- Thus in total 3 826 persons.

Each of the above-mentioned role players provides specific information pertaining to the type of

STATUS OF STATUTORY MEASURES – 2010 SURVEY

business operation monthly or annually. Over and above this individual reporting, SAWIS publishes summarised information as per predetermined industry needs, for example harvest data, average bulk prices, etc.

Wine grape related production information such as harvest estimates, vineyard hectares, wine grape varieties, volume, stock, packaged and bulk natural wine prices, local sales and exports, and certification of wine, is disseminated monthly and per seasonal cycle.

Inspectors conduct physical stocktaking at all wine-producing premises once a year to verify data. Work-in-progress documentation is compared to original verified/audited information in the database to balance the potential, theoretical and actual data. Deviations are discussed individually. Data is compared and verified by means of forms and software programmes.

Confidentiality is a core value. Employees are trained to report in such a way that readers are not able to identify individual information. Individual information may not be provided to any third party without the individual's written consent.

The users of the information are industry role players such as primary producers, cellars, representative organisations, exporters, retail, media, researchers, students, value chain input suppliers, consumers, international research and wine industry organisations. Positive effects of these statutory measures are value-adding and improved decision-making.

Cape Wools SA

Each broker, trader, processor, importer and exporter of wool must register and furnish records and returns to Cape Wools SA.

Approximately 7 000 growers in the established sector, at least 20 000 communal growers delivering wool via shearing sheds, 5 brokering firms, 7 buying/exporting companies, 2 early-stage processing companies, and 7 traders are registered with Cape Wools SA. Virtually all organisations submit returns as per statutory measure requirement.

Information on production per magisterial district, prices, price trends, local processing volumes, export qualities, value and destinations, wool type/quality descriptors and certified measured

STATUS OF STATUTORY MEASURES – 2010 SURVEY

characteristics are collected and disseminated. Various generic reports on all data captured are distributed monthly, and a weekly national wool market report is published and distributed. All reports are also published on Cape Wools SA's website.

Submitted data is compared to historical baseline data and trends, and obvious deviations are cross-checked with suppliers of data as and when appropriate. Auction price data deviations are verified via third party data capture systems.

Users of the information include all institutions and representative trade bodies/organisations representing the wool industry sectors, the DAFF, provincial departments of agriculture, Agricultural Research Council (ARC), banks, Stats SA, news agencies, agricultural press/magazines, daily/weekly newspapers, international wool organisations in specific countries, international wool textile organisations, various radio stations, and agricultural TV programmes.

The statutory measures concerned provide a basis for a central national organisation appropriately structured and governed and acknowledged as a one-stop information clearing house for all information related to the South African wool industry. It provides support for a large number of analyses on the nature and profile of the industry regarding wool growers, price trends, production trends and South Africa's role and contribution locally and internationally. It further allows Cape Wools SA to function as the industry's institutional memory.

5. LEVIES

5.1 Introduction

A statutory levy is a charge per unit of an agricultural commodity at any point in the marketing chain between the producer and the consumer, which is collected for specific functions such as funding for research, information, or transformation. For the 2010 survey, the NAMC reviewed statutory levies implemented in thirteen agricultural industries. The previous review covered twelve industries. In September 2009, statutory measures were promulgated for the poultry industry, which is the largest agricultural industry in South Africa. The poultry industry's figures were therefore included for the first time in this survey. New levies promulgated in the deciduous fruit industry were also included in the survey for the first time, namely the "market development and consumer campaign levy on export plums" as well as the "fruit fly control levy" in specific production regions.

The financial years differ for each industry, depending on the marketing season of the agricultural product. Most of the levies reported on were implemented for terms of four years. The levies on pork and red meat were, however, implemented for three years.

Table 3 provides details of the administering body, the specific levies applicable, the period for which the levies were approved, and the different financial periods reviewed in this report. Furthermore, details on new applications for statutory levies are mentioned, which will be reported in the next survey of 2011.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

TABLE 3: STATUTORY LEVIES REVIEWED

Administering body, specific levy amounts (excl VAT), levy period, and financial period under review											
<p><u>Citrus Growers' Association:</u> A levy payable by producers of all export citrus fruit is applicable as follows:</p> <table> <tr> <td>2008</td><td>2.13 cents per kg (32 cents per 15 kg carton)</td></tr> <tr> <td>2009</td><td>2.53 cents per kg (38 cents per 15 kg carton)</td></tr> <tr> <td>2010</td><td>2.60 cents per kg (39 cents per 15 kg carton)</td></tr> <tr> <td>2011</td><td>2.67 cents per kg (40 cents per 15 kg carton)</td></tr> <tr> <td>2012</td><td>2.73 cents per kg (41 cents per 15 kg carton)</td></tr> </table> <p>Levy period: 1 September 2008 – 31 December 2012 (4 years) Financial period reviewed: April 2009 – March 2010</p> <p><i>During June 2010 the NAMC recommended to the Minister that the proposed grapefruit statutory levies be implemented for a two-year period only (not the requested four-year period) and that producers/exporters who do not export to the UK and Japan and who do not want to pay the levy should be able to apply to the CGA for the refund of the levy they paid. On 21 November 2010 the Minister approved the proposed grapefruit statutory levies for a two-year period. The relevant notices were published in the Government Gazette of 25 November 2010. They will be reported on in the next NAMC survey.</i></p>		2008	2.13 cents per kg (32 cents per 15 kg carton)	2009	2.53 cents per kg (38 cents per 15 kg carton)	2010	2.60 cents per kg (39 cents per 15 kg carton)	2011	2.67 cents per kg (40 cents per 15 kg carton)	2012	2.73 cents per kg (41 cents per 15 kg carton)
2008	2.13 cents per kg (32 cents per 15 kg carton)										
2009	2.53 cents per kg (38 cents per 15 kg carton)										
2010	2.60 cents per kg (39 cents per 15 kg carton)										
2011	2.67 cents per kg (40 cents per 15 kg carton)										
2012	2.73 cents per kg (41 cents per 15 kg carton)										
<p><u>Cotton SA:</u> 20 cents per kg of cotton lint produced, payable by ginner to Cotton SA.</p> <p>Levy period: 1 April 2008 – 31 March 2012 (4 years) Financial period reviewed: April 2009 – March 2010</p> <p><i>Cotton SA is administering a levy of 20 cents per kilogram of cotton lint produced locally, excluding VAT, payable by ginner. Cotton SA requested ministerial approval to amend the levy notice to extend the application of the levy to include all imported cotton lint as well.</i></p> <p><i>On 30 November 2010 the Minister agreed that the notice pertaining to the levy on cotton lint be amended to extend the application of the levy to include cotton lint imports from outside SADC regions. This was published in the Government Gazette of 10 December 2010.</i></p>											
<p><u>Milk SA:</u> 1 cent per kg on milk and cream, not concentrated nor containing added sugar or other sweetening matter 9.6 cents per kg on milk and cream, concentrated or containing added sugar or other sweetening matter 3.6 cents per kg on buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruits, nuts or cocoa 2.9 cents per kg on whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening</p>											

STATUS OF STATUTORY MEASURES – 2010 SURVEY

matter not elsewhere specified or included

10.3 cents per kg on butter and other fats and oils derived from milk, dairy spreads

14.4 cents per kg on cheese and curd.

Levy period: 23 December 2005 – 23 December 2009 (4 years)

Financial period reviewed: **January 2010 – December 2010**

The continuation of the above-mentioned levies was promulgated and implemented on 30 January 2009 for a period of 4 years to expire on 23 December 2013.

Deciduous Fruit Producers' Trust (DFPT):

1. Pome and Stone Fruit Levies:

3 cents per kg on all pears on export (all classes) and domestic volumes on municipal markets and retail level (all classes)

6.5 cents per kg on all peaches and nectarines on export (all classes) and domestic volumes on municipal markets and retail level (all classes)

8.5 cents per kg on all apricots on export (all classes) and domestic volumes (all classes)

3 cents per kg on all apples on export (all classes) and/or domestic volumes on municipal markets and retail level (all classes)

0.6 cents per kg on all apples destined for the manufacturing of apple juice concentrate by concentrate processing plants

Levy period: 19 October 2007 – 18 October 2011 (4 years)

Financial period reviewed: **October 2009 – September 2010**

The NAMC is in the process of investigating the latest request to continue and increase the statutory levies on pome and stone fruit.

2. Market development and consumer education campaign for export plums:

8.5 cents per kg on all exported volumes plums (all classes)

5 cents per kg on domestic volumes plums (all classes) on municipal markets and retail level

Levy period: 28 January 2009 – 27 January 2013 (4 years)

Financial period reviewed: **October 2009 – September 2010**

The success of the plum marketing campaign in the UK and the European Union at the beginning of 2009 motivated producers of other fruit kinds (apples, pears, apricots, nectarines, and peaches) to apply for a new levy. It is believed that such a programme will not only grow and develop these markets, but will support the international "footprint" of South African fruit.

The following statutory levies were approved and promulgated on 11 March 2010, administered by the DFPT, to be reported on in the next survey:

- Apples: R0.35 per 12.5 kg equivalent export carton for a two-year period
- Pears: R0.35 per 12.5 kg equivalent export carton for a two-year period
- Nectarines: R0.50 per 2.5 kg equivalent export carton for a four-year period
- Peaches: R0.50 per 2.5 kg equivalent export carton for a four-year period
- Apricots: R0.50 per 5 kg equivalent export carton for a four-year period

STATUS OF STATUTORY MEASURES – 2010 SURVEY

3. Integrated area-wide fruit fly control programme in specific production areas:

Levy on the deciduous fruit hectares in the specific deciduous fruit production regions:

Elgin, Grabouw, Vyeboom and Villiersdorp area:

- Apples and Pears: R125 per hectare per annum;
- Plums, Peaches/Nectarines and Apricots: R200 per hectare per annum.

Hex River Valley:

- Table and Dried Grapes: R280 per hectare per annum.

Warm Bokkeveld, Wolseley and Tulbagh:

- Apples and Pears: R175 per hectare per annum;
- Plums, Peaches/Nectarines and Apricots: R250 per hectare per annum; and
- Table and Dried Grapes: R250 per hectare per annum

Levy period: 22 May 2009 – 23 May 2013 (4 years)

Financial period reviewed: **October 2009 – September 2010**

Dried Fruit Technical Services (DFTS):

5 cents per kg for dried vine fruit

9 cents per kg for dried apricots, apples and peaches

8 cents per kg for nectarines, pears, prunes and other dried fruits

Levy period: 30 January 2009 – 30 January 2013 (4 years)

Financial period reviewed: **January 2010 – December 2010**

Southern African Poultry Association (SAPA):

Per day-old female parent broilers chickens sold or placed:	Per one dozen packaged eggs sold:
October 2009 – December 2010: R1.32	October 2009 – December 2010: 2.23 cents
January – December 2011: R1.45	January – December 2011: 2.45 cents
January – December 2012: R1.60	January – December 2012: 2.70 cents
January – December 2013: R1.76	January – December 2013: 2.97 cents

Levy period: 9 October 2009 – 8 October 2013 (4 years)

Financial period reviewed: **January 2010 – December 2010**

SAPA applied to the Minister to amend the existing statutory measures in order to change the point of levy collection on eggs from the suppliers of packaging material, to the point of day-old layer pullets placed or sold.

SAPA also requested that the statutory levies for eggs and broilers be decreased for the last two years of the existing four-year levy period. The NAMC investigated the request and Minister will consider the NAMC's recommendations in the second half of 2011.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

SA Pork Producers' Organisation (SAPPO):

R6.00 per head of pigs slaughtered at abattoirs and pigs exported live

Levy period: 5 November 2007 – 31 October 2010 (3 years)

Financial period reviewed: **January 2010 – December 2010**

The statutory measures in the pork industry lapsed on 31 October 2010. The Minister approved the request from SAPPO for the continuation and increase of statutory measures in the pork industry to R7 per head, for a period of four years, from 1 November 2010 until 31 October 2014.

Potatoes SA:

1.30 cents per kg for all classes of potatoes marketed in potato sacks manufactured from kraft paper

1.30 cents per kg for all classes of potatoes not marketed in potato sacks and intended for sale on the domestic market as table potatoes

0.6 cents per kg for processing

0.44 cents per kg as certified seed potatoes

1.30 cents per kg for all classes of potatoes not marketed in potato sacks and intended for export

0.92 cents per kg for all classes imported

Levy period: 1 July 2007 – 30 June 2011 (4 years)

Financial period reviewed: **July 2009 – June 2010**

The NAMC investigated the new request to continue and increase the statutory levies on potatoes, and its final recommendations will reach the Minister soon.

Red Meat Levy Admin:

Cattle:

R3.00 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal

R5.00 per head – payable by the owner at slaughter, to the abattoir

R300 per year or part thereof – payable by each meat trader in respect of each outlet

R0.03 per kg of imported red meat and red meat products

R5.00 per head of cattle exported live

0.07 % of commission on the sale of designated animals

R0.01 per kg of hides produced locally

Sheep and goats:

R0.50 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal

R0.75 per head – payable by the owner at slaughter, to the abattoir

R300 per year or part thereof – payable by each meat trader in respect of each outlet

R0.03 per kg of imported red meat – payable by the importer of the red meat and red meat products

R0.75 per head of sheep/goat exported live

0.07 % of the commission on the sale of designated animals, collected by that agent in respect of the sale

STATUS OF STATUTORY MEASURES – 2010 SURVEY

of designated animals

R0.01 per kg of skins – payable by the processor of the skin produced locally

Processed meat:

R0.01 per kg of red meat, red meat products and pork purchased by meat processors for processing or further processing

Levy period: 5 November 2007 – 4 November 2010 (3 years)

Financial period reviewed: **March 2009 – February 2010**

New increased statutory levies were promulgated and implemented from 5 November 2010 for a period of four years, to expire on 4 November 2014.

Sorghum Trust:

R7.70 per t sorghum on all first buyers and producers of sorghum. The accountability for the payment thereof shall be shared between them on a fifty-fifty basis, and payable to the Sorghum Trust.

Levy period: 1 March 2006 – 28 February 2010 (4 years)

Financial period reviewed: **March 2009 – February 2010**

A new levy to the amount of R16.00 per t on sorghum was promulgated for a period of four years, implemented on 1 March 2010, to lapse on 28 February 2014.

South African Table Grape Industry (SATI):

5 cents per kg on all exported volumes of table grapes (all classes)

Levy period: 21 November 2008 – 21 November 2012 (4 years)

Financial period reviewed: **November 2009 – October 2010**

Wine and grapes

Research and development levy:

Grapes: R12.46 per t

Grape juice concentrate: 1.78c per litre at 17.4 degrees Balling

Drinking wine: 1.78c per litre

Distilling wine and wine spirit: 1.54c per litre at 10 % alcohol by volume

Wine export generic promotion levy:

Export wine in bulk: 6.39c per litre

Otherwise 8.77c per litre

Information levy:

Grapes: R8.75 per t

Grape juice concentrate: 1.25c per litre at 17.4 degrees Balling

Drinking wine: 1.25c per litre

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Empowerment and transformation levy:

Grapes: R2.12 per t

Grape juice concentrate: 0.30c per litre at 17.4 degrees Balling

Drinking wine: 0.30c per litre.

Levy period: 1 November 2005 (as amended on 1 November 2007) – 31 October 2009 (4 years)

Financial period reviewed: **January 2009 – December 2009**

On 16 April 2010, new statutory levies in the wine industry were promulgated for a period of four years, to lapse on 31 December 2013.

In January 2011, the NAMC received an application for the increase in the new levies, for the last two years of the four-year levy period (November 2011 to December 2013), in order to make provision for inflation and other circumstances. The NAMC investigated the wine industry's request and its recommendations were sent to the Minister.

Winter Cereal Trust (WCT):

Wheat: R9.00 per t

Barley: R8.50 per t

Oats: R4.50 per t

Durum wheat: R4.75 per t

Levy period: 1 October 2006 – 30 September 2010 (4 years)

Financial period reviewed: **November 2009 – October 2010**

On 2 August 2010 the Minister approved the imposition of the following levies on all winter cereal sold, imported, processed or converted, exported, and in respect of which a SAFEX silo receipt has been issued if the levy in respect of such a winter cereal has not been paid before:

<i>Term</i>	<i>Wheat</i>	<i>Barley</i>	<i>Oats</i>
<i>1/10/2010 to 30/9/2011</i>	<i>R14 per metric ton</i>	<i>R13 per metric ton</i>	<i>R10 per metric ton</i>
<i>1/10/2011 to 30/9/2012</i>	<i>R15 per metric ton</i>	<i>R14 per metric ton</i>	<i>R11 per metric ton</i>
<i>1/10/2012 to 30/9/2013</i>	<i>R16 per metric ton</i>	<i>R15 per metric ton</i>	<i>R12 per metric ton</i>
<i>1/10/2013 to 30/9/2014</i>	<i>R17 per metric ton</i>	<i>R16 per metric ton</i>	<i>R13 per metric ton</i>

South African Mango Growers' Association (SAMGA):

SAMGA applied for the implementation of statutory measures (registration, records and returns and levies of 3 cents per kg or R30 per t of fresh fruit on mangoes. The proposed new statutory measures relate to fresh mangoes intended for processing (including achar, juice, dried mangoes and mangoes for fruit salads). The Minister approved the request and the measures were promulgated on 29 October 2010 for a period of four years, to lapse on 31 December 2014. These measures will be reported on in the next NAMC survey.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

National Lucerne Trust (NLT):

On 12 November 2010, the NLT, on behalf of the directly affected groups in the lucerne industry, requested the introduction and promulgation of statutory levies on lucerne seed and lucerne hay, for a period of three years. The NAMC investigated the application and will make recommendations to the Minister.

Protea Producers of SA:

On 9 November 2010, the Protea Producers of South Africa applied for the implementation of statutory measures (levies, registration and records and returns) on export volumes of cultivated fynbos products.

The NAMC started its investigation by issuing a news statement and requesting directly affected groups to comment on the application, and will make recommendations to the Minister during 2011.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

5.2 Levy income

Table 4 shows the levy income, the total value of products at the first point of sale, levy income as a percentage of the value of the product, and the levy collection rate percentage for the different commodities.

TABLE 4: TOTAL AMOUNT OF STATUTORY 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)	32 263 562	2 770 350 000	1.16	98.4
Cotton lint	1 679 456	100 000 000	1.68	100
Dairy products	32 853 230	8 190 000 000	0.40	119
Deciduous Fruit:				
>Pome and Stone	27 365 290	1 330 884 432	3.47	96
>Market development	13 525 595			95
>Fruit fly control	5 345 759			94
Dried fruit	3 155 434	3 144 738 000	0.10	97
Pork	14 559 229	2 625 000 000	0.55	105
Potatoes	23 113 030	5 700 000 000	0.41	98
Poultry	24 550 422	3 596 000 000	0.68	86.2
Red meat	17 928 784	25 700 000 000	0.07	100
Sorghum	1 669 890	393 000 000	0.42	100
Table grapes	18 554 266	4 031 710 868	0.46	98.6
Wine	60 339 527	3 648 900 000	1.65	100
Winter cereals	29 554 894	4 587 150 000	0.64	97.5
TOTAL	306 458 368	65 817 733 300	0.47	98.98

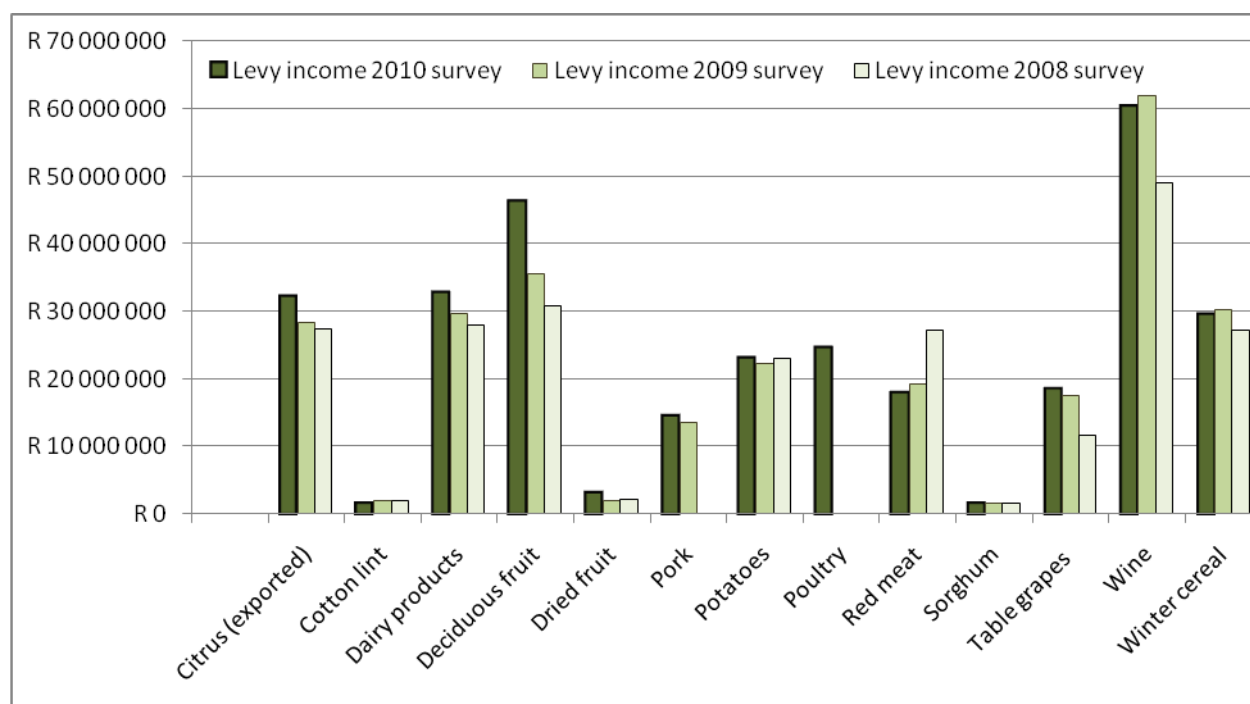
*as provided by levy administrators

The total levies collected for the year under review amounted to R306.5 million, which is 16.4 % more than the R263.4 million reported as total levy income in the previous review.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

The past three years' levy income for the various industries concerned is shown in the following graph:

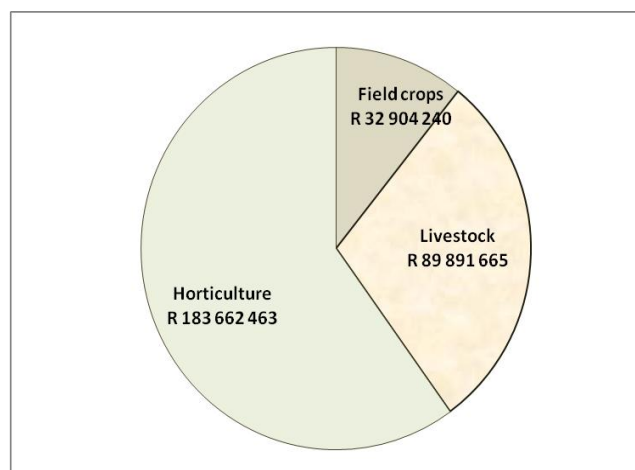
GRAPH 1: LEVIES COLLECTED PER INDUSTRY FOR THREE YEARS:



As can be seen from the above, levy income increased in the citrus, dairy, deciduous fruit, pork and table grapes industries. Levy income declined in the cotton, red meat, wine and winter cereal industries. This can be attributed to lower production.

In Graph 2, the levy income for the past 2010 survey per industry sector is shown, where Horticulture industries' levy income represents 60 % of total levy income, while Livestock and Field Crops represent 29 % and 11 % respectively. In the Field Crops sector, the maize and oilseeds industries are in a position to fund essential industry functions from funds from the Maize Trust and the Oil and Protein Seeds Trust respectively.

GRAPH 2: LEVIES COLLECTED PER INDUSTRY SECTOR



Total value of product at first point of sale

The total value of agricultural products subject to statutory levies at the first point of sale for the 2010 survey (approximately R65.8 billion) is approximately 8.8 % more than the total value during the 2009 survey (approximately R60.5 billion). (Note that poultry (R3.6 billion) was not included in the 2009 survey).

Level of statutory levies

Section 15(4)(a) of the MAP Act stipulates that a statutory levy may not exceed 5 % of the price realised for a specific agricultural product at the first point of sale. The maximum of 5 % must be based on a guideline price, calculated as the average price at the first point of sale over a period not exceeding three years. The total levy income as a percentage of the value of agricultural products at the first point of sale is, over all, approximately 0.47 %.

Levy collection rate

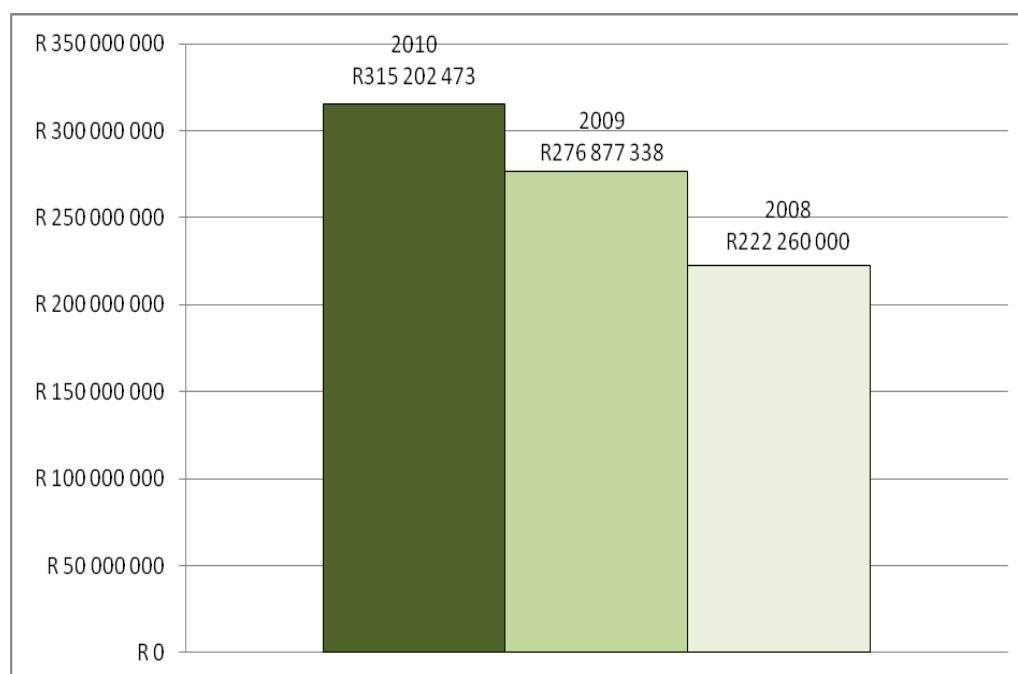
Most levy administrators achieved a high collection rate. The average collection rate of all products is approximately 99 %. This is attributable mainly to the thorough consultative process that takes place before a levy is implemented and the fact that role players from the whole value chain are represented in most of the decision-making institutions. It may therefore be concluded that, once an industry applies for a statutory levy, the role players are willing to pay these levies. In evaluating an application for statutory levies, both the NAMC and the industry concerned have to ensure that there is sufficient support for a levy. Another factor contributing to the high collection rate in most industries is the low number of collecting points. The cotton industry has, for example, only six collection points, and this contributed to their 100 % collection rate.

In the dairy and pork industries, levy income was more than was budgeted for, therefore the collection rate of more than 100 %.

5.3 Levy expenditure

The total expenditure of levy funds for the 2010 survey amounted to R315.2 million, which is 13.8 % more than the R276.9 million reported in the 2009 survey. The past three years' total levy expenditure is shown in the next graph.

GRAPH 3: LEVY EXPENDITURE FOT THREE YEARS



The total expenditure of R315.2 million, and how it was allocated to the various functions, is set out in Table 5.

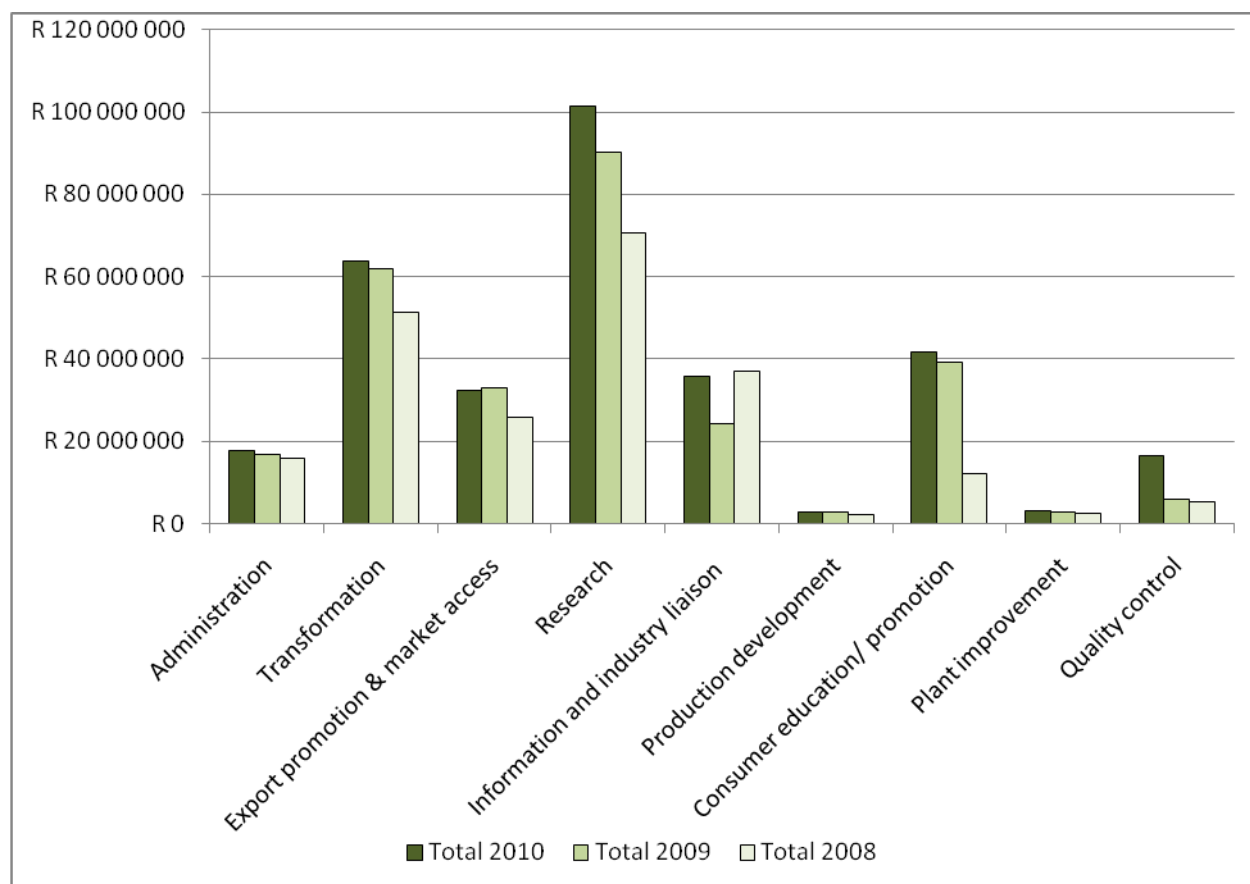
TABLE 5: LEVY EXPENDITURE AND ALLOCATION TO FUNCTIONS – 2010 SURVEY

	Administration	Transformation	Export promotion & market access	Research	Information and industry liaison	Production development	Consumer education/ promotion	Plant improvement	Quality control	Total
Citrus	1 495 410	6 655 895	3 416 026	17 999 541	1 222 849					30 789 721
%	5	22	11	58	4					100
Cotton	63 604	1 147 603	37 302	100 000	2 916 044		246 233		1 417 203	5 927 989
%	1	19	1	2	49		4		24	100
Dairy	3 748 437	4 751 907		700 900	3 578 427		11 803 830		3 900 000	28 483 501
%	13	17		2	13		41		14	100
Deciduous fruit	2 340 370	6 028 411	14 911 311	21 038 871	2 904 306		1 792 432	2 540 115	5 832 864	57 388 680
%	4	11	26	37	5		3	4	10	100
Dried fruit	301 532	691 280		2 264 362	443 462			633 909		4 334 545
%	7	16		52	10			15		100
Pork	855 253	2 331 533		533 124	558 087		8 678 152		1 125 408	14 081 557
%	6	17		4	4		62		8	100
Potato	2 503 698	5 271 150		5 879 964	5 733 195		5 914 398			25 302 405
%	10	21		23	23		23			100
Poultry	355 177	1 504 436		588 444	2 642 322		7 497 072		2 125 074	14 712 525
%	2	10		4	18		51		14	100
Red meat	1 080 645	3 299 191		1 794 831	957 665	1 762 519	5 880 248		958 722	15 733 821
%	7	21		11	6	11	37		6	100
Sorghum	61 595	440 599		465 519	596 368					1 564 081
%	4	28		30	38					100
Table grapes	1 885 581	3 202 079	3 925 833	8 239 967	1 294 862					18 548 322
%	10	17	21	44	7					100
Wine	1 471 921	21 063 149	10 176 994	15 623 317	10 381 241					58 716 622
%	3	36	17	27	18					100
Winter cereals	1 653 553	9 277 803		26 225 538	2 461 810					39 618 704
%	4	23		66	6					100
Total 2010	17 816 776	65 665 036	32 467 466	101 454 378	35 690 638	1 762 519	41 812 365	3 174 024	15 359 271	315 202 473
%	6	21	10	32	11	1	13	1	5	100

STATUS OF STATUTORY MEASURES – 2009 SURVEY

As can be seen from the previous table and the next graph, levy funds were allocated to the various functions that were regarded as essential by the various industries concerned. Most of the levy funds were used for research (32 % of total levy expenditure), followed by transformation (21 %). The past three years' application of levy funds was as follows:

GRAPH 4: PAST THREE YEARS' APPLICATION OF LEVY FUNDS



Administration:

With regard to the utilisation of statutory funds, the NAMC has implemented a guideline that no more than 10 % of levies collected should be used for administrative purposes. On average, approximately **6 % (R17.8 million)** of levies collected was spent on administration, which is below the guideline of no more than 10 %. One of the largest components of administration costs is audit fees.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

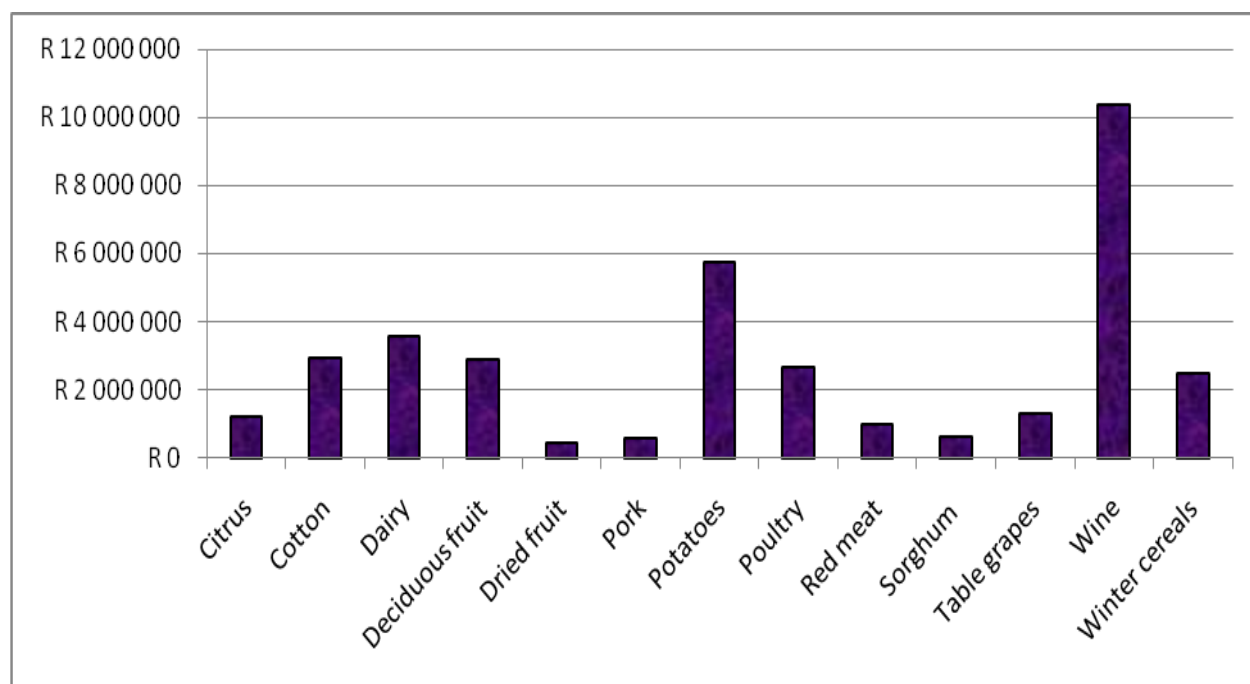
Information:

During the 2010 survey, approximately **11 % (R35.7 million)** of total levy expenditure was allocated to the information function. The wine industry spent R10.4 million, the potato industry R5.7 million and the dairy industry R3.6 million on information and industry liaison.

Accessible, accurate market information that is regularly and timeously available not only increases market access but also promotes efficiency in the marketing of the product. Further, 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.

Transfers of statutory levy funds to organisations performing the information as well as the industry liaison functions are shown in the next graph:

GRAPH 5: LEVY FUNDS SPENT ON INFORMATION AND INDUSTRY LIAISON

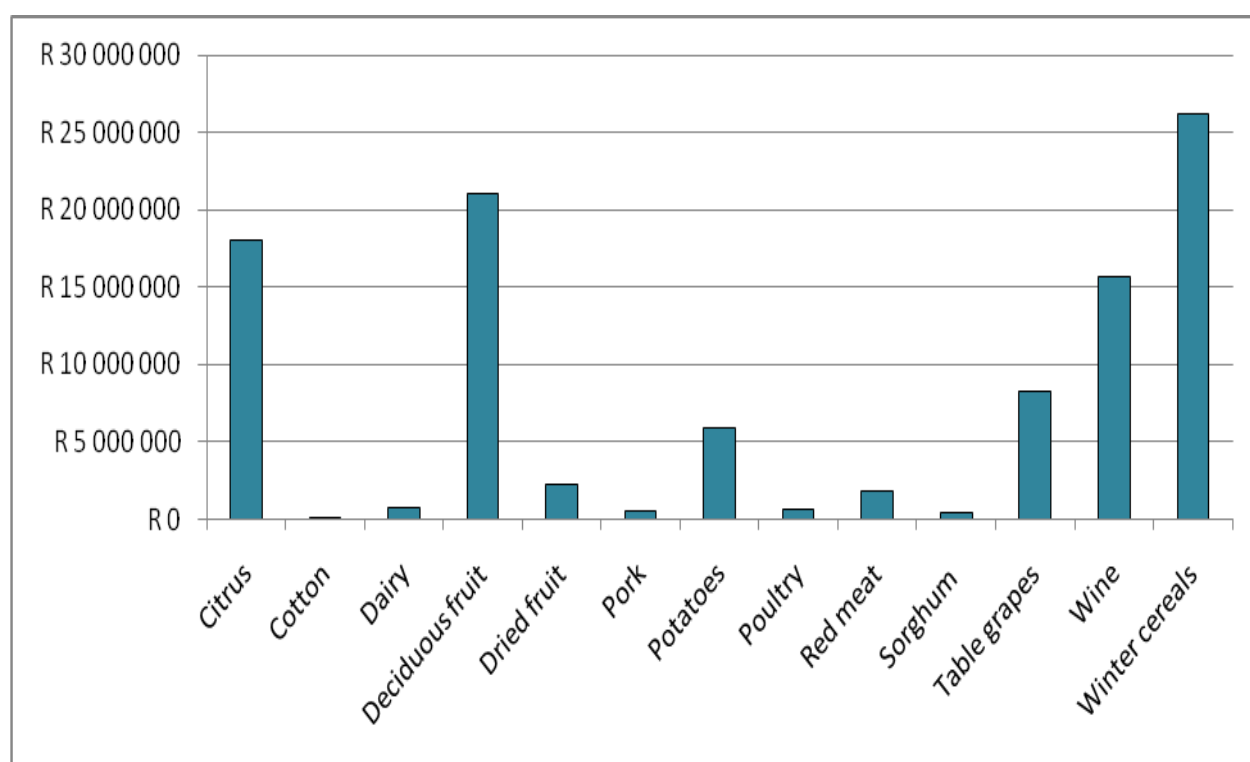


Research:

Approximately **32 % (R101.5 million)** of total levy expenditure was spent on research projects in the industries that collected levies. The satisfactory performance of the South African agricultural sector, despite the lack of high-potential arable land and the low rainfall, can to a great extent be attributed to the development and application of agricultural research results.

The transfer of levy funds for research projects by the relevant industries concerned is shown in the next graph:

GRAPH 6: LEVY FUNDS SPENT ON RESEARCH



STATUS OF STATUTORY MEASURES – 2010 SURVEY

Transformation:

The NAMC's guideline is that approximately 20 % of levy income should be used for transformation purposes. According to the 2010 survey, the total amount spent on transformation projects was approximately **21 % (R65.7 million)** of total levy expenditure. An approximate amount of R61.8 million was spent on transformation projects during 2009, and R51.2 million during 2008. A summary of the transformation projects in the relevant industries is tabled in Annexure E of this report.

Levy funds allocated for transformation purposes by the relevant industries are shown in the next graph:

GRAPH 7: LEVY FUNDS SPENT ON TRANSFORMATION

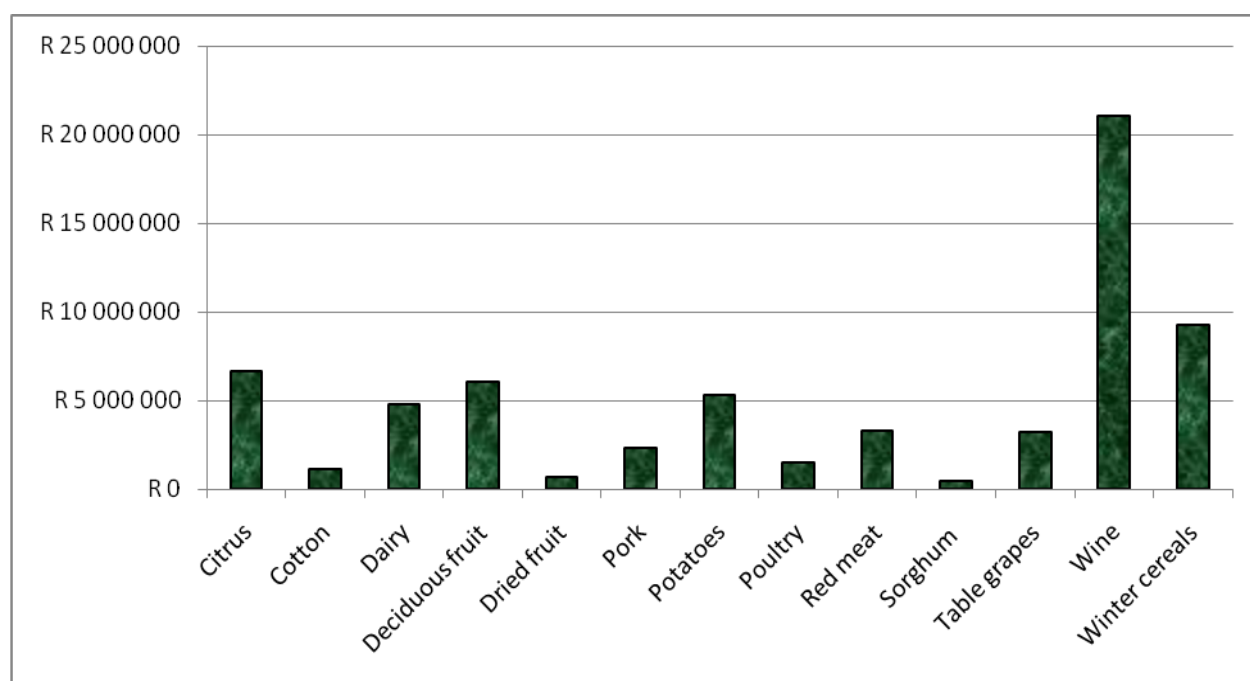


Table 6 summarises the expenditure on transformation by each industry, and the percentage of total levy income that this represents. The last column shows the difference between the actual percentage of total levies spent and the prescribed percentage for the year under review.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

TABLE 6: LEVY INCOME AND AMOUNTS SPENT ON TRANSFORMATION

Product	Levy income	Amount spent on transformation projects	Percentage of total levy income
Citrus (exported)	32 263 562	6 655 895	20.6 %
Cotton lint	1 679 456	1 147 603	68.3 %
Dairy products	32 853 230	4 751 907	14.5 %
Deciduous fruit *	46 236 644	6 028 411	13.0 %*
Dried fruit	3 155 434	691 280	21.9 %
Pork	14 559 229	2 331 533	16.0 %
Potatoes	23 113 030	5 271 150	22.8 %
Poultry	24 550 422	1 504 436	6.1 %
Red meat	17 928 784	3 299 191	18.4 %
Sorghum	1 669 890	440 599	26.4 %
Table grapes	18 554 266	3 202 079	17.3 %
Wine	60 339 527	21 063 149	34.9 %
Winter cereals	29 554 894	9 277 803	31.4 %
TOTAL	306 458 368	65 665 036	21.4 %

In Table 6 above, transformation expenditure is calculated as a percentage of levy income to evaluate how administrators complied with the NAMC's guidelines. In total, 21.4 % of total levy income was spent on transformation. Later this report, expenditure on functions is calculated as a percentage of the total levy expenditure. In that case, transformation expenditure represents 21 % of total expenditure of statutory levies.

* It should be noted that the new levies promulgated in the deciduous fruit industry, namely the “market development and consumer campaign levy on export plums” and the “fruit fly control levy in specific production regions”, which amount to a total levy income of R18.8 million, are specific levies promulgated for a specific purpose, and not subjected to the NAMC guidelines, and therefore no transformation expenditure is reported for these levies. If these are deducted from the total levy income from deciduous fruit, it can be argued that 22 % (instead of 11.0 %) of the levy income (R27.4 million) was spent on transformation in the deciduous fruit industry.

Some industries did not meet the guideline that 20 % of levy income be used for transformation purposes. Their responses were as follows:

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Dairy industry

Although Milk SA only spent 14.5 % of their levy income in the year under review on transformation projects, the percentage of transformation allocation based on their levy expenditure amounts to 17 %. Milk SA confirmed that they are committed to transformation in the dairy industry and will abide by this condition of approval over the four-year levy period. According to Milk SA, the outcomes of studies conducted by their Transformation Manager in 2010 and 2011 will give direction in terms of viable plans of action in this regard. The NAMC will monitor the situation in the dairy industry regarding the allocation of levy funds to transformation projects and will take appropriate steps if necessary.

Pork Industry

An amount of R2.3 million (17 % of levy expenditure, but 16 % of levy income) was spent on transformation in the pork industry. According to SAPPO, R750 000 was budgeted for the Eastern Cape Demonstration Unit. As environmental impact studies have to be conducted before the unit can be built, only R157 984 was spent on this project. The project will be completed after environmental impact approval is received.

SAPPO expressed their concern that the National and Provincial Departments of Agriculture did not ask for SAPPO's inputs on new projects. They completed buildings/facilities (sometimes without water being available on the farm) and transferred the units to beneficiaries. SAPPO is of the opinion that transformation would be more viable if they were informed during the planning phases of these projects. Projects in the North West, Limpopo, Gauteng and the Western Cape are successful and will be economically viable in the future. Credit for new entrants to finance operational expenditure still remains a concern.

Poultry industry

This is the first survey done on the new statutory measures in the poultry industry. Only 6 % of levy income, or 10 % of total levy expenditure, was reported for transformation in the poultry industry. The SAPA Developing Poultry Farmers Organisation (DPFO) co-ordinator was only appointed in the

STATUS OF STATUTORY MEASURES – 2010 SURVEY

third quarter of 2010, resulting in the slow start of projects for developing farmers. The DPFO Board only approved the DPFO business plan in January 2011. It is intended that by the end of this levy period in 2013 the percentage spent on transformation will exceed 20 %. Work is being done with provincial extension officers to plot a way forward. Provinces have been selected to be the pilot project areas for projects based on the provincial structures, such as in the Western Cape.

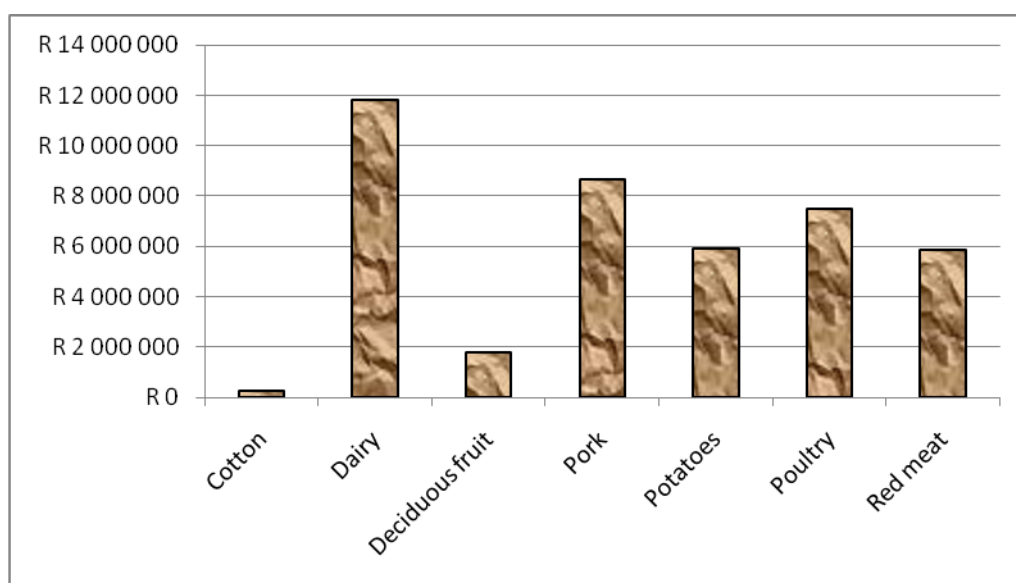
Table grape industry

In the table grape industry, 17 % of levy income and of total levy expenditure was spent on transformation. SATI indicated that they will appropriate the full 20 % obligatory amount to qualifying activities over the four-year levy period. The year under review was a poorer revenue year due to the Orange River floods and severe weather in other regions. They expect to spend the prescribed 20 % in full by the end of the four-year levy period.

Consumer education/Local promotion

During the 2010 survey, approximately **R41.8 million (13 % of total expenditure)** was spent on consumer education/promotion. The next graph shows the relevant industries' share in this expenditure:

GRAPH 8: LEVY FUNDS SPENT ON CONSUMER EDUCATION/PROMOTION



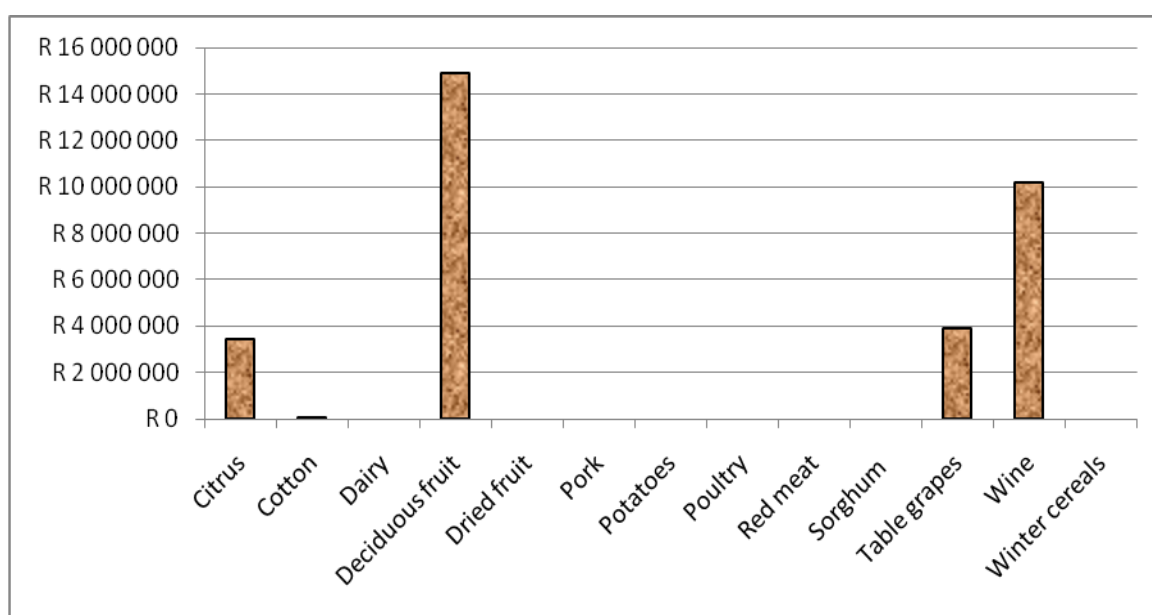
STATUS OF STATUTORY MEASURES – 2010 SURVEY

The NAMC investigated the economics and impact of generic promotion during 2010. Evidence exists for the positive effects of generic promotion, but generic promotion is only one of many factors affecting the demand for 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. The NAMC concluded that the monitoring, evaluation and impact of generic promotion done by agricultural industries will receive more attention in future.

Export promotion and Market access:

Approximately **R32.5 million (10 % of total levy expenditure)** was spent on export promotion and market access. The deciduous fruit, wine and table grapes industries spent the most on this important function in promoting South African produce on the overseas markets. The following graph shows the involvement of the relevant industries in this function:

GRAPH 9: LEVY FUNDS SPENT ON EXPORT PROMOTION/MARKET ACCESS



Quality control

The function of quality control is mainly undertaken by the cotton, dairy, deciduous fruit, pork, poultry and red meat industries, with the objective of ensuring that consumers have peace of mind when they use these products. An amount of R15.4 million (5 % of total levy expenditure) was spent on quality control.

Plant improvement

The deciduous fruit and dried fruit industries spent R3.2 million (1 % of total levy expenditure) on plant improvement.

Production development

The red meat industry spent R1.8 million (1 % of levy expenditure) on production development.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

COMPARISON OF STATUTORY LEVY INCOME AND EXPENDITURE

According to the audited financial statements of the different levy administrators, the levy income and expenditure for the different levy administrators for their latest audited financial year were as follows:

TABLE 7: LEVY INCOME AND EXPENDITURE

Product	Levy income R	Levy expenditure R	Surplus/deficit R
Citrus (exported)	32 263 562	30 789 721	1 473 841
Cotton lint	1 679 456	5 927 989	-4 248 533
Dairy products	32 853 230	28 483 501	4 369 729
Deciduous fruit	46 236 644	57 388 680	-11 152 036
Dried fruit	3 155 434	4 334 545	-1 179 111
Pork	14 559 229	14 081 557	477 672
Potatoes	23 113 030	25 302 405	-2 189 375
Poultry	24 550 422	14 712 525	9 837 897
Red meat	17 928 784	15 733 821	2 194 963
Sorghum	1 669 890	1 564 081	105 809
Table grapes	18 554 266	18 548 322	5 944
Wine	60 339 527	58 716 622	1 622 905
Winter cereals	29 554 894	39 618 704	-10 063 810
TOTAL	306 458 368	315 202 473	-8 744 105

As shown in Table 7, levy expenditure exceeded levy income in the cotton, deciduous fruit, dried fruit, potatoes and winter cereal industries.

Deficits are funded by surplus levy income from previous financial years, or by other income. Deficits may be attributed to lower than expected crop sizes and consequently lower than budgeted levy income.

The MAP Act stipulates that the Minister must decide how any surplus funds are dealt with after the period of a statutory levy has lapsed (for example after a four-year period). Experiences in the past have proven that over a four year period (or the period for which the levy was approved), levy expenditure equals or is very close to levy income. Only a few industries reported surpluses after the lapsing date of the relevant levy, and requested ministerial approval for spending those levy

STATUS OF STATUTORY MEASURES – 2010 SURVEY

funds. For example, Milk SA reported a surplus of approximately R13.9 million at the end of the four year levy period that ended in 2009. In evaluating the expenditure of statutory levy funds at that time, the NAMC concluded that Milk SA did not comply with the condition that 20 % of levy income must be used for transformation purposes. The NAMC therefore recommended to the Minister that all of the R13.9 million surplus funds be used for transformation purposes.

Production and contribution by emerging farmers

The review of statutory levies also revealed other important information, such as the total local production of a particular commodity in respect of which a statutory levy is collected, and production by emerging farmers. The number of commercial producers compared to the number of emerging farmers and their average production figures is summarised in Table 9.

TABLE 8: PRODUCTION AND NUMBER OF PRODUCERS IN INDUSTRIES THAT HAVE STATUTORY LEVIES

Industry	Total production 2010 (Tons)	Commercial producers (Number)	PDI production 2010 (Tons)	BEE partnership production 2010 (Tons)	Small-scale producers (Number)
Citrus (exports only)	1 290 000	1 400	n.a.	n.a.	400
Cotton	8 393	120	440	-	1 035
Dairy	2 730 000	2 680	100 000	60 000	120
Deciduous fruit	880 116	1 337	93 977	292 379	37
Dried fruit	237 438	1 250	3 158	6 340	81
Pork	181 500	228	1 500	-	1 500
Potatoes	1 973 803	639	38 400	119 000	117
Poultry	1 768 890	815	n.a.		1 006
Red meat	618 400	55 000	3 138	-	87 000
Sorghum	196 500	n.a.	n.a.	n.a.	n.a.
Table grapes	274 683	416	1 278	9 990	112
Wine	1 374 620	3 621	22 551	-	46
Winter cereals	2 186 700	5 800	41 500	-	1 250

n.a. = not available

PDI: Previously disadvantage individuals

STATUS OF STATUTORY MEASURES – 2010 SURVEY

In order to get a clearer understanding of the involvement of commercial and small-scale producers, their production figures are compared to the production and the number of producers of the 2009 review, as summarised in the following table:

TABLE 9: PRODUCTION AND NUMBER OF PRODUCERS FOR 2009 AND 2010

Product	Total production 2009 T	Total production 2010 T	Commercial producers 2009	Commercial producers 2010	Small-scale producers 2009	Small-scale producers 2010
Citrus	1 340 000	1 290 000	1 400	1 400	88	400
Cotton lint	9 640	8 393	150	120	3 077	1 035
Dairy products	2 538 000	2 730 000	3 300	2 680	600	120
Deciduous fruit	1 429 860	880 116	2 189	1 337	38	37
Dried fruit	25 340	237 438	650	1 250	n.a.	81
Pork	168 097	181 500	300	228	500	1 500
Potatoes	2 165 656	1 973 803	681	639	433	117
Poultry	*	1 768 890	*	815	*	1 006
Red meat	716 900	618 400	30 000	55 000	1 000 000	87 000
Sorghum	241 400	196 500	1 400	n.a.	71	n.a.
Table grapes	255 284	274 683	466	416	7	112
Wine	1 425 612	1 374 620	3 805	3 621	34	46
Winter cereals	2 359 792	2 186 700	5 800	5 800	1 222	1 250

**not included in previous review*

As can be seen from the table above, production decreased during the 2010 survey in the citrus, cotton, deciduous fruit, potatoes, red meat, sorghum, wine and winter cereal industries. Production increased only in the dairy, dried fruit and table grape industries.

The number of commercial producers showed a decrease in all the industries except for the dried fruit and red meat industries, while citrus and winter cereals commercial producer numbers stayed the same. Small-scale producer numbers decreased in most of the industries while the citrus, pork, table grapes and wine industries reported an increase in small-scale producers. These numbers as reported by statutory measures administrators are, however, not reliable. In the red meat industry, for example, the manner of reporting differs from the previous year, in that all small-scale red meat farmers were previously estimated, while in this survey only those who actually delivered to registered abattoirs were counted. This leads to a skewed picture of the status of small-scale

farmers' contribution and numbers.

It should be noted that, although levy administrators and transformation managers attempt to manage a database of small-scale producers, it is often very difficult to keep a complete list, as these producers can easily change from producing one commodity to producing another, while others attend farmer days and training programmes even though they are not actively involved in production due to finance, land availability and other problems. In a desperate attempt to build a database, these attendees are often included in the data although they are “prospective small-scale farmers”.

What makes it even more difficult to collect and manage data on small-scale farmers is the fact that these persons do not need to register, keep records or submit returns, or pay levies, as these statutory measures apply to those who are actively involved in commercial agriculture. For example, only persons who handle 500 tons or more of grains need to register with SAGIS, and only animal owners who take their animals to registered abattoirs need to pay the red meat statutory levy. It is therefore very difficult to make an accurate estimate of those animal owners who operate in the informal market.

The NAMC continually urges industries to keep a database of small-scale participants, and although it is a slow and cumbersome process, the NAMC appreciates every attempt to get all role players on board. In this regard, a workshop was held on 14 April 2011 with all the relevant industries where the NAMC's expectations of a database of small-scale/emerging participants in each industry were discussed. The outcome of this workshop was that the NAMC will continue collaborating with industries who wish to participate, and the NAMC will develop and maintain a database of small-scale/emerging role players in each industry.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

AGRICULTURAL PRODUCTS SUBJECTED TO STATUTORY LEVIES

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2009/10 is estimated at R128 214 million, compared to R129 489 million in the previous year – a decrease of 1.0 %. This drop can be attributed mainly to a decrease in the value of field crops. The gross value of animal products, horticultural products and field crops contributed 50.6 %, 25.6 % and 23.8 % respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 23.3 %, followed by cattle and calves slaughtered with 11.1 % and maize with 10.5 %.

Table 10 provides information about agricultural products which are subjected to statutory levies, based on the gross value of the individual agricultural products. (*Source: DAFF 2011 Abstract*)

TABLE 10: AGRICULTURAL PRODUCTS SUBJECTED TO STATUTORY LEVIES

		Products levied R ' million	Percentage levied	Products not levied R ' million	Percentage not levied	Total R ' million
Field crops	Cotton	83				
	Sorghum	314				
	Winter cereals	3 677				
	Maize			13 522		
	Sugar cane			5 303		
	Oilseeds			3 388		
	Lucerne seed and hay			3 035		
	Other			1 158		
	Sub-total	4 074	13.4	26 406	86.6	30 480
Horticulture	Citrus	4 593				
	Deciduous and dried fruit	9 453				
	Potatoes	4 064				
	Viticulture	3 530				
	Vegetables			7 628		
	Other			3 546		
	Sub-total	21 640	65.9	11 174	34.21	32 814
Animal products	Dairy	9 503				
	Red meat	17 797				
	Pork	2 863				
	Poultry and eggs	29 909				
	Other			4 548		
	Sub-total	60 072	93.2	4 548	6.8	64 920
	TOTAL	85 786	66.9	42 128	32.8	128 214

STATUS OF STATUTORY MEASURES – 2010 SURVEY

According to Table 10, approximately 66.9 % of all agricultural products, in terms of the gross value of the individual products, is subjected to a statutory levy. If the statutory measures relating to registration, records and returns are included, 82.5 % of all agricultural products (in terms of their gross value) make use of statutory measures.

It is also clear from Table 10 that directly affected groups involved with animal products are more inclined to make use of statutory levies: 93.2 % of animal products, in terms of gross value, have statutory levies. The maize industry, which is the third largest agricultural sector after the poultry and red meat industries, with a gross value of R13.5 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 13.4 % 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.

6. VIEWPOINTS OF LEVY ADMINISTRATORS

Questions to levy administrators about the impact, benefits and burdens of statutory measures on role players, as well as their problems, comments and suggestions regarding levy administration were included in the 2010 questionnaire. Their responses are summarised below.

Horticulture Industries:

Deciduous fruit:

The deciduous fruit industry is of the opinion that statutory measures benefit role players in the following manner:

- health and the safety of food funded and promoted by the implementation of protocols and inspection services;
- collective funding of research and empowerment projects;
- better information to aid decision-making; and
- increased efficiency within the supply chain.

The Market Development campaign is expected to grow the export volume of deciduous fruit sold in the targeted markets, to gain market share and also to position South Africa as the preferred supplier. A target volume growth of 10–15 % over 5 years has been set. The campaign will be repeated every year with measurement of performance taking place on a yearly basis, measuring volume growth, market share growth as well as targeted growth areas in terms of PDI growth targets, the empowerment of women and SME development.

Problems experienced were the late approval of the levy application, which created financial difficulties, the application process for statutory measures, which needs to be streamlined, and the management of foreign currency payments (fluctuating Rand).

The Fruit Fly Control levy is important for the following reasons:

- Insect pests are an increasing problem in agriculture and intervention is required to limit losses in crop production.
- Some insects, such as Medfly, can be the cause of trade embargoes arising from strict quarantine regulations.
- The emphasis on pest management today is on biological, environmentally friendly,

STATUS OF STATUTORY MEASURES – 2010 SURVEY

sustainable and economical pest control technologies. This emphasis has made an integrated area-wide control programme an appropriate method of pest suppression and/or eradication.

- Enable industry to meet strict international standards; Enhance bio-diversity; Create new jobs and maintain existing jobs.
- This monitoring capacity is also utilised to monitor a range of other insects.

The Deciduous Fruit and Dried Fruit Industries felt that the small quantity of fruit handled by small exporters/traders/producers are not easily traced, and it is therefore difficult to obtain the correct volume to collect levies.

Table grapes:

Producers have had the benefits of diversified risk because of increased market access through the Far East and Asia market access projects and the Consumer Education Campaign project. This led to slightly higher returns than in previous years. Increasing credible market information and market research has also reduced the market's volatility and there has been a growing stabilisation of returns to producers.

Wine:

By providing timely, accurate and needs-aligned information to the industry, they assist in management planning and decision-making to ensure that the industry is globally competitive. Winetech's research and technology transfer is aimed at increasing the profitability, sustainability and competitiveness (local and international) of the wine industry. By adopting these project results producers should achieve the mentioned aims. Consumers benefit from sustainable, quality products, produced in an environmentally friendly way.

Producers benefit from an improved awareness in the trade, the media and amongst consumers about the merits of South African wine. This contributes to the growth in the value of our exports.

Projects funded by the levies impacted positively on producers, beneficiaries and other role players in that awareness was created of issues such as substance abuse, HIV/AIDS and domestic violence, as well labour relations, land reform and enterprise development. Producers and beneficiaries were informed about the programmes and services of WIDA and the assistance that is available to institute the necessary prevention measures. Farm workers from farms that participated

in programmes were capacitated with basic skills to initiate projects, but further mentoring is necessary.

Field crops:

Cotton:

All role players in the cotton industry benefit from statutory measures:

- Reliable production and market information is made available to all interested parties.
- Cotton research and technology transfer benefit all producers.
- Cotton production and consumption are stimulated.
- Quality standards and norms are maintained to promote the orderly marketing of cotton.
- Liaison and constructive debate were established with local and international governments, organisations and interested groups.
- Co-operation with all role players is enhanced.
- Market access is promoted.
- Transformation is facilitated.

Winter cereals:

The costs associated with the farmer development projects are of such a nature and such an extent that different role players need to be involved. Economic realities (input costs, prices of commodities and financial risk for financiers) make it difficult to continue programmes from one year to the next. The continuation of these programmes is dependent on the continuous participation of all role players.

No abnormal problems are currently experienced in the administration of the levies relating to their collection and recording. The involvement of the Auditor-General and its communication with the Trust's external auditors is an area of uncertainty although the situation does not hamper the daily administration of the levy.

Animal Products:

Dairy:

Milk SA stated that expenditure on legal costs was extremely high and had inflated administration costs (which were set at a maximum of 10 %). The role that the State Attorneys could and should play to assist Milk SA in legal action against defaulters was investigated and found not to be worthwhile.

Pork:

The whole pork industry benefits from the functions funded with the statutory levies. Consumers are educated about the health benefits of pork and are exposed to and introduced to pork. Consumers can also be assured of a safe product as a result of the Quality Assurance Scheme and the Pig Health Scheme administered by SAPPO. Producers are provided with the results of research projects funded with the levy and the effectiveness and productivity of the industry are enhanced with these results. Developing farmers benefit from the mentoring and training programmes financed with the levy. Developing farmers are also assisted to operate viable and economic units. The generic promotions create a bigger demand for pork.

Poultry:

Overall there are definitely benefits for producers and consumers. Without the levies a lot of work would not be done, to the detriment of the industry and the consumer. In particular there would be no or very little support for emerging farmers and Government key national objectives would not be satisfied.

The creation of the Poultry Disease Management Unit at the University of Pretoria to effect research into poultry disease and health is a major step forward, and of benefit to many stakeholders. The provision of market statistics, as another example, is considered to be of considerable benefit to market stakeholders. Protection of the local industry against (cheap) imports is a critical factor and the levy provides a way of doing this properly.

Initially a perceived detriment was the increase in product prices, albeit by a tiny amount, but this objection has largely been overcome as producers realise the benefits of the programmes and projects. Generic advertising for consumer education is a good example of the benefits. Consumer assurance (food safety) can only be effective if done centrally, and the benefit is accepted by all. Poultry products are an incredible source of protein and available at cheap prices to the consumer.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Consumers should understand what is good (or unsuitable) about poultry products and how the best can be obtained from poultry.

A particular benefit is that all industry participants must pay the levy, so there are no “free-riders” as there were in the past, when only certain companies contributed voluntarily.

The only noticeable burden is that producers have to provide sales information to the Levy Administrator. There is also the added burden of chasing debtors who pay either late or not at all.

The major problem of note is that relating to non-payers of the levy, especially the egg levy. The egg levy collection procedure has been shown to be cumbersome. The egg levy collection problem has already been addressed by requesting a change via the NAMC for a revised collection procedure based on numbers of laying hens sold rather than on eggs sold. This revision is being investigated by the NAMC. Non-payers are being followed up and if necessary legal recourse will be sought.

Red Meat:

Some of the liable levy payers are not sure what the benefit of the levy is to their specific sector in the industry and are therefore a little reluctant to participate. Service providers who claim levy from the fund are in the process of compiling an information booklet that will cover the benefit of the statutory levy to every sector.

7. CHECKOFF SYSTEM IN THE UNITED STATES OF AMERICA

In April 2011, an American delegation visited Southern Africa to conduct an assessment of food and rural business systems in South Africa and Mozambique, because both these countries have been identified by the United States Department of Agriculture (USDA) as strategically important, priority partners for USDA engagement in market development and food security initiatives. During discussions between the delegation and NAMC staff members, it transpired that one of the delegates has extensive knowledge about statutory levies in the United States of America (USA). The information in this section is the result of interaction between the delegate and the NAMC.

The USDA is responsible for overseeing the introduction of checkoff fees (statutory levies) under the authority of the Commodity Promotion, Research and Information Act of 1996.

The term "checkoff" is derived from programmes that were previously not mandatory, where producers marked a checkoff box if they wished to contribute to the programme. Today, mandatory programmes do not have such forms, but the name has remained. Producers usually finance these programmes from assessments charged on a per unit basis of the marketed agricultural commodity. Checkoff programmes attempt to improve the market position of the covered commodity by expanding markets, increasing demand, and developing new uses and markets.

Complexity of the USA checkoff system

The USA checkoff system is very complicated. Checkoffs can occur in only one region, or in only one state, or nationally (for all the 50 states in the USA). Earlier, the beef checkoff was set in law by Congress (federal government), but since a delegation of authority, checkoff systems can be established in terms of umbrella legislation which falls to the USDA to administer. The national checkoffs are overseen by the USDA Agricultural Marketing Service (AMS). State checkoffs are overseen by a state organisation (often the state department of agriculture).

The level of checkoffs in the USA is approximately 0.5 % of the selling price at the first point of sale of an agricultural commodity – very similar to the situation in South Africa. This money is mainly

STATUS OF STATUTORY MEASURES – 2010 SURVEY

being used to promote the relevant commodity both domestically and internationally. Half of the checkoff funds are assigned to state-level agricultural boards (provinces). The remainder (50 %) is administered at a national level by the representative board (like the former control boards in South Africa).

The main purpose of checkoff programmes is to assure stable funding and is consistent with the aim of eliminating the "free-rider" problem. In the past many checkoff programmes made provision for refunds under certain conditions. Administrators of checkoff programmes have to maintain an escrow account from which refunds will be paid to producers who request them. For example, in some states, producers could apply for a refund of money collected as part of a checkoff programme up to 90 days after payment. However, total refunds are limited to 10 % of all collections per state, so producers may get a partial, pro-rated refund, depending on the number of requests.

Some imports are also assessed a checkoff fee (beef, cattle and dairy imports).

Purpose of checkoff funds

In the United States, a checkoff organisation collects funds, sometimes called checkoff dollars, from producers of a particular agricultural commodity and uses these funds to promote and do research on the commodity. These organisations must, for example, promote the specific agricultural commodity in a generic way, without reference to a particular producer. These organisations are responsible for familiar American advertising campaigns, including "Milk Does a Body Good", the "Got Milk?" milk moustache series, "Pork. The Other White Meat", "The Incredible, Edible Egg", and "Beef: It's What's for Dinner".

Checkoff programmes attempt to improve the market position of the covered commodity by expanding markets, increasing demand, and developing new uses and markets. Because individual producers of nearly homogeneous agricultural commodities cannot easily convince consumers to choose one egg or orange or a single cut of beef over another they have often joined together in commodity promotion programmes to use generic advertising in an effort to expand total demand for the commodity, with the objective to increase their own sales as well. Activities are intended to expand both domestic and export demand; examples include advertising, nutrition education,

research into improving product quality and appeal, market research studies, and technical assistance.

Major checkoff organisations

- Almond Board of California
- American Egg Board
- American Lamb Board
- Cotton Board
- Dairy Checkoff Works
- Mohair Council of America
- Mushroom Council
- Cattlemen's Beef Promotion and Research Board
- National Honey Board
- National Watermelon Promotion Board
- National Peanut Board
- National Pork Board
- Popcorn Board
- U.S. Highbush Blueberry Council
- United Soybean Board
- United States Potato Board

Challenges in court

The U.S. Supreme Court initial ruling, that the mushroom checkoff programme violated the constitutional free speech provisions, created uncertainty about the future of other checkoff programmes. Since then, separate lower federal courts have ruled that various checkoff programmes were also unconstitutional. However, in May 2005, the Supreme Court ruled that the beef check-off does not violate their constitution. In its decision, a majority of the Court agreed with checkoff defenders that the programmes were in fact "government speech" (an issue that was not considered in the mushroom checkoff decision). Most legal observers predicted that this decision would be used to defend other challenges to checkoff programmes.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

During the past two decades, checkoff programmes have been challenged in court on several occasions. Challengers of the checkoff programmes have argued that the requirement that they pay mandatory assessments in accordance with a checkoff programme unlawfully forces them to pay for speech that they do not support.

Other characteristics of the USA checkoff system

- USA checkoffs are mainly being used for generic promotions (approximately 70 %) and research (approximately 30 %). Administration cost is also being financed by the checkoff fee.
- Compulsory payments/statutory levies are a well-established concept in the USA because approximately 90 % of all agricultural production is subjected to checkoff fees.
- There are no additional taxes such as Value Added Tax (VAT)/Goods and Services Tax (GST) on checkoff income. The USA does not have a VAT system. In South Africa, VAT is payable on statutory levies.
- In some cases, the USDA will provide matching grants for administrators of checkoff money. For example, to obtain marketing and promotion funds from the USDA Foreign Agricultural Services (FAS), an institution must be a not-for-profit organisation and must have some checkoff funding.
- In the USA, checkoffs are introduced for an unlimited period of time, but a number of options are available. Some checkoffs are permanent, others go to a vote on a regular basis. For example, farmers may petition at any time to stop a checkoff programme.

8. CONCLUSIONS

The 2010 survey of the status of statutory measures revealed that the statutory measures implemented in agriculture enabled growth in the agricultural sector by means of effective information and communication and the funding of research, transformation, and other essential functions.

Although the main purpose of registration, records and returns is to establish a database of all role players involved in the relevant industry and also to collect and disseminate generic market information, these statutory measures are essential in the administration and inspection of statutory levies.

Registration, records and returns and levies complement each other, as in most cases statutory levies are collected to fund the information function (made possible by registration, records and returns). This is regarded as one of the main functions to be funded by levies, while registration, records and returns are measures that assist in drafting the business plan and budget in levy applications, in levy collection, and in measuring the rate of levy collection and the efficiency in levy collection, as well as identifying levy defaulters.

It is important that the administrators of statutory measures be independent, with no commercial interest, and that the constitutions of these administrative bodies/associations convince the Competition Commission that the associations' activities are in line with the requirements of the Competition Act, and specifically with the clauses referring to information exchange. The better a constitution is written, the better it will allow enactment and self-policing thereof. Applications for membership should also include a written undertaking by the applicant to act according to the Competition Act.

The 2010 survey of statutory measures showed that, although the total gross value of agricultural production for 2009/10 decreased by 0.9 % compared to the previous year (mainly attributed to a decrease in the value of field crops), levy income showed an increase of 16.4 % in 2010 compared to the previous survey. This increase can be attributed to the new levies in the poultry and deciduous fruit industries, which were reported for the first time. If these "new" levies are excluded, levy income is more or less the same as that reported in the 2009 survey.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Total statutory levy expenditure in the 2010 survey increased to approximately R315.2 million, compared to approximately R276.9 million in the 2009 survey. This is an increase of 13.8 %. If one considers the total levy expenditure in the 2008 survey (approximately R222.3 million) and the 2007 survey (approximately R191.0 million), it is apparent that statutory levies have become more important in financing generic functions in the agricultural sector. This trend is set to continue, as new applications for statutory measures are being received and investigated in the lucerne, fynbos and olive industries. If approved by the Minister, these will in future form part of total levy income. This increase in total levy income and expenditure is remarkable, particularly during the period of economic recession that has been experienced in recent years.

The NAMC recognises and appreciates industries' efforts to meet the conditions for approval of the statutory measures reported in this survey. On average, approximately 6 % (R17.8 million) of levies collected was spent on administration, which is below the guideline of no more than 10 %. Most of the levy funds were used for research (32 %, or R101.5 million of total levy expenditure), followed by transformation (21 %, or R65.7 million), consumer education/promotion (13 %, or R41.8 million), information and industry liaison (11 %, or R35.7 million) and export promotion/market access (10 %, or R32.5 million). Quality control, plant improvement and production development altogether constituted 7 %, or R22.3 million, of total levy expenditure.

The agricultural sector is expected to ensure food security, to strengthen the economy and to promote social wealth by providing job opportunities in rural areas. This aim can be reconciled with the objectives of the MAP Act. The impact of the statutory measures on the objectives of the MAP Act, namely to increase market access for all market participants, to promote the efficiency of the marketing of agricultural products, to optimise export earnings from agricultural products, and to enhance the viability of the agricultural sector, is difficult to quantify. The NAMC is, however, convinced that the functions of information, research and transformation, which are financed by means of statutory levies, further the objectives of the MAP Act. It could, however, be argued that the objectives are actually furthered by the results of the functions performed, made possible by the implementation of statutory measures.

Proper and accurate market information, in a continuous and timeous manner, not only increases market access for all participants, but also promotes efficiency in the marketing of the products concerned. Proper market information, furthermore, enhances the viability of the industries and the

STATUS OF STATUTORY MEASURES – 2010 SURVEY

agricultural sector at large. To achieve the optimisation of export earnings, reliable information is deemed to be essential.

Market information further enhances food security, as information on national stock levels of products such as grains is available. The statutory measures were also not detrimental to the number of job opportunities within the economy or to fair labour practice.

With regard to research, specific infrastructures have been created over time. It is essential that these infrastructures, which were created by past contributions from the relevant industries, are retained and maintained to the benefit of the South African agricultural industry. The development of new cultivars with improved quality characteristics constitutes an important part of the research undertaken by various organisations. The continuous development of new cultivars is indispensable to the sustained production of most of the agricultural products. It is believed that the R101.5 million of the levy funds spent on research contributed to the objectives of the MAP Act.

The levy funds (R63.7 million) that were spent on transformation focused on creating more and better opportunities for black role players, assisting to create access to finance, access to information/extension services/mentorship, and access to markets. The integration of smallholders and especially black commercial producers into commercial value chains is of critical importance in order to establish and ensure sustainable value chains. Industries should build on a solid basis that is already producing results, albeit with modest progress.

DECLARATION OF AGRICULTURAL PRODUCTS

The following products were declared (published in the Government Gazette of 4 September 1997 and amended in Government Gazettes of 23 April 1999, 2 December 2005 and 22 May 2009) as agricultural products for the purposes of the MAP Act:

Animal and plant propagation material;

Aquacultural products;

Bee and honey products;

Birds and poultry;

Bulbs;

Cattle, goats, sheep, pigs and game;

Coffee;

Deciduous fruit (being apples, pears, apricots, peaches, nectarines, plums and table grapes) including dried fruit;

Eggs;

Flowers;

Fruit and nuts;

Grains, including wheat, barley, oats, durum wheat, rye, maize and sorghum;

Grasses and hay;

Herbs and spices;

Horses;

Juice of grapes and products derived therefrom;

Legumes;

Meat;

Milk and dairy products;

Mushrooms;

Natural fibers;

Oilseeds including canola;

Olives and olive oil;

Potatoes including table potatoes, seed potatoes, processed potatoes or any other potatoes;

Roots and ornamental plants;

Sugar cane;

Tea;

Tobacco;

Tubers; and

Vegetables.

ANNEXURE B

DISCUSSIONS AT WORKSHOP HELD ON 17 FEBRUARY 2011

CURRENT STATUS OF STATUTORY MEASURES.

Schalk Burger gave a summary on the NAMC's 2009 report on the review of statutory measures. He outlined the MAP Acts objectives, history, current status of statutory measures and a comparison of statutory measures applicable in South Africa and Australia.

The discussions focused on the following issues:

- the support base within the industry for the statutory measures;
- how to reduce the time lag which exists from the application to implementation;
- rollover funds (the delay in receiving the levies); and
- matching grants by Government, where Australia was given as an example.

The NAMC were congratulated on an excellent report.

INDUSTRY ASSOCIATIONS AND INFORMATION EXCHANGE

Lambert Botha explained that the study done for the NAMC focused on the sharing of information within the agricultural sector, bearing in mind the Competition Commission's requirements.

He highlighted the fact that the exchange of information (i.e. the collection and publication of statistics) is a **legitimate function** of associations of undertakings, but it can have an adverse effect on competition, especially where:

- it serves to reduce or remove uncertainties inherent in the process of competition; or
- it inhibits individual undertakings' commercial and competitive independence; or
- it influences future competitive behaviour.

It was suggested that industry associations should:

- revisit constitutional provisions dealing with the collection of data and the dissemination of information;
- consider a new theoretical basis for determining levies payable, voting rights and representation on boards; and
- create awareness of the scope and impact of competition policy among members.

The overreaction by certain companies/associations who refused to provide any information is created by the uncertainty within the market, and is due to the fact that no guidelines exist.

Lastly, it was felt that Government should provide clear guidelines (along the lines of international examples) customised for the purposes of our own Competition Act.

It was mentioned that information is provided by associations due to Government's failure in this regard.

A workshop will be held on 28 February 2011 where the results of the information study will be shared with industry.

COST SHARING INITIATIVES UNDERTAKEN IN THE WESTERN CAPE BETWEEN THE PRIVATE SECTOR AND THE PROVINCIAL GOVERNMENT.

Anton Rabe explained that many facets of cost sharing initiatives exist and that a commodity-targeted approach is followed by implementing unique/tailor-made plans.

The current cost sharing initiative between industry and the Western Cape Department of Agriculture (WCDA) in the Western Cape focused on a tree planting scheme which was launched in November 2008 and was based on an initial 1 000 new hectares over 5 years, at 5 ha per member. The beneficiaries are 100 % black owned or equity schemes. The partnership stipulated that 1) the WCDA provide funds for soil preparation, irrigation and trellising; 2) the industry provide plant material, technical and other support; 3) producers provide the annual production cost; and 4) CASP the supporting equipment and inputs.

Statutory measures provide a stable basis from which to initiate these projects, which would not have been possible without them. National roll-out is required, and other partners, not only government departments but also the private sector, should be lobbied to get involved (exporters, input suppliers, banks).

TRANSFORMATION IN THE AGRICULTURAL INDUSTRY

Dr John Purchase felt that the workshop was an ideal means to share ideas and constraints with other role players.

- **What is meant by “transformation” in the agricultural industry?**

The transformation that we need is one that radically reshapes the structure of opportunity for all South Africans. For sustainable growth, the country needs to prioritise the nurturing of an expanding entrepreneurial middle class, rather than redistribution to crony capitalists. The AgriBEE Transformation Charter is an attempt at this approach – an accord to build our future.

- **Current situation in terms of Transformation**

While many efforts and some successes, especially from private sector side, extent of creating new opportunities and development has not been sufficient and successful enough – various reasons for this state of affairs.

We need to think critically and anew in terms of utilising our limited resources. Statutory measures should also be used more effectively to create more and better opportunity.

Insufficient dialogue between Government and Private Sector in this regard which needs to be addressed.

- **International experience**

South Africa's challenges in terms of the dualistic nature of its agriculture are fairly unique. However, Brazil is probably closest in terms of the disparity between the commercial and the smallholder sector. In Brazil very deliberate programmes are implemented to promote development and broader income distribution.

To ensure sustainable inclusion that is profitable, and contributes to growth, income distribution and wealth, the following four dimensions need to be considered:

- project management,
- integration,
- business dimension,
- sustainability dimension.

- **Way forward with Statutory Measures and Transformation**

In principle, we strongly support statutory levies primarily for research, but also for other purposes, such as transformation. However, we must bear in mind that it is primarily a direct tax on the producer and if the producer feels he does not get fair value (value proposition), he will walk away and consider a voluntary levy. The current minimum 20 % ring-fencing for transformation is in his opinion fair, but this is the top limit.

He believed that the current system and structure of statutory measures has much merit, and accountability due to the legal framework is important, but the system must not be overly prescriptive.

In fact, a case-by-case approach is needed to meet the specific needs of the different industries, and also for transformation. Industries need to take responsibility for sound implementation, and the NAMC for sound oversight. The transformation focus must be on creating more and better opportunities for black role players, assisting to create access to finance, access to information/extension/mentorship, and access to markets.

Integration of smallholders and especially black commercial producers into commercial value chains is of critical importance in order to establish and ensure sustainable value chains.

It is important to build on a solid basis that is already producing results, albeit with modest progress.

STUDY ON GENERIC PROMOTION

Danie Jordaan gave short feedback on the study done for the NAMC on generic promotion.

According to him, evidence exists for the positive effects of generic promotion. But generic promotion is only one of many factors affecting the demand for 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 contain reductions at given prices, augment prices or at least contain reductions, and induce consumer loyalty

AMENDMENTS TO THE MARKETING OF AGRICULTURAL PRODUCTS ACT, ACT 47

Ms Sue Middleton, Acting Deputy Director-General of the DAFF, explained that on 1 April 2011 the new structures for the department would be in place, and gave feedback on the planned new structures.

She explained the process which was followed regarding the amendment of the MAP Act and said that she was not convinced that there had been proper consultation with the industry regarding the proposed changes to the MAP Act. A summary of the proposed changes was given and, from the attendees' reaction, it was clear that consultation with the industry needs to be done before the proposed draft Bill is published for comment.

STATUS OF STATUTORY MEASURES – 2010 SURVEY

ANNEXURE C

CONTACT DETAILS OF LEVY ADMINISTRATORS AND TRANSFORMATION MANAGERS

Administering body	Contact person	Contact	Transformation Manager	Contact
Citrus Growers' Association of SA	Mr Justin Chadwick	T 031 765 2514 F 031 765 8029 justchad@iafrica.com	Mr Lukhanyo Nkombisa	031 765 2514 072 257 8386 Lukhanyo@cga.co.za
Cotton SA	Mr Hennie Bruwer	T 012 804 1462 F 012 804 8616 henniebruwer@cottonsa.org.za	Mr Peter Komane	012 804 1462 082 952 9871 peter.cottonsa@voda.co.za
Milk SA	Mr Nico Fouche	T 012 804 4801 F 012 804 4811 info@milksa.co.za	Mr Godfrey Rathogwa	012 460 7312 082 900 6712 godfrey@milksa.co.za
Deciduous Fruit Producers' Trust	Mr Anton Rabe	T 021 870 2900 F 021 870 2915 johlida@hortgro.co.za	Kevin Maart (Development Coordinator)	021 870 2900 082 575 4763 kevin@dfpt.co.za
SA Table Grape Industry	Ms Elaine Alexander	T 021 872 1438 F 021 872 4375 rhomona@satgi.co.za		
Dried Fruit Technical Services	Mr Dappies Smith	T 021 870 2925 F 021 871 2192 dappies@dtd.co.za		
Southern African Poultry Association	Mr David Hughes	T 011 795 2051 F 011 795 3190 david@sapoultry.co.za	Mr Moses Modise	011 795 2051 modise@sapoultry.co.za
South African Pork Producers' Organisation	Mr Simon Streicher	T 021 361 3920 F 021 361 4069 info@sapork.com	Mr Qeda Nyoka	012 361 3920 072 338 2369 qnyoka@sapork.com

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Potatoes SA	Mr Gawie Geyer	T 012 349 1906 F 012 349 2641 ggeyer@potatoes.co.za		012 349 1906 082 388 0513
Red Meat Levy Admin	Ms Alet du Plessis	T 012 348 7572 F 012 361 9837 aletd@levyadmin.co.za	Mr Langelihle Simela	012 361 9127 083 6778631 langa@nerpo.org.za
Sorghum Trust	Mr Leon du Plessis	T 012 333 3429 F 012 333 3634 l-lagric@mweb.co.za	Mr Nico Vermaak	056 515 2145 082 449 9897 nicov@grainsa.co.za
Winetech WOSA SAWIS	Ms Yvette vd Merwe	T 021 807 5719 F 021 807 6000 yvette@sawis.co.za	Mr Denver Williams	021 872 9181 082 373 6381 denver@wida.co.za
Winter Cereal Trust	Mr Awie Coetzee	T 012 663 1660 F 012 663 3109 wct@grainmilling.co.za	Dr Moroleja	058 307 3400 jane@grainsa.co.za

STATUS OF STATUTORY MEASURES – 2009 SURVEY

ANNEXURE D

RESEARCH PROJECTS FINANCED BY STATUTORY LEVIES

Citrus:

Decision-making processes	Institution	Project Title	Amount R	Total R
<p><i>Research funding priorities are determined by grower study groups. These priorities are then translated into project proposals by research institutions. These proposals are then considered by the four research committees of Citrus Research International (CRI) – Pest Management, Disease Management, Crop Load and Fruit Quality, and Cultivars and Rootstocks. Budgets are prepared by each of these committees and submitted to the CRI Board for approval. The CRI Board then submit their approved budget to the CGA for final approval.</i></p>	CRI	Disease management research, Pest management research, Crop Load and Fruit Quality, Cultivar evaluation and development	17 883 000	17 999 541
<p><i>The balance of the CGA budget follows the following procedure: the Audit Committee considers a budget prepared by the CEO of the CGA to ensure that it covers all strategic priorities and is suitably explained. Once accepted by the Audit Committee, the budget is considered by the Executive Committee, who in turn propose a final budget to the CGA Board for final approval. The full CGA Board then meet and approve a final budget.</i></p>	CGA	Governance and oversight	116 540	

Cotton:

Decision-making processes	Institution	Project Title	Amount R	Total R
<p><i>Research funding priorities are determined by producers and any other role player; budgets and proposals are tabled and considered for approval by the Cotton SA Board of Directors.</i></p>	ARC-Institute for Industrial Crops (ARC-IIC)	National Cotton Cultivar Trials and Development of cultivars with a resistance to Verticillium	100 000	100 000

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Dairy:

Decision-making processes	Institution	Project Title	Amount R	Total R
<p>i. A proportionate allocation for the different disciplines (objectives in terms of the regulations) was agreed on by the Board of Directors.</p> <p>ii. Role players as identified by the Board of Directors are invited to submit project proposals within predetermined budgets.</p> <p>iii. The Board's "Policy on the funding of statutory projects" applies.</p> <p>iv. Project proposals are considered by the relevant Advisory Committees of Milk SA which then advise the Board of Directors of Milk SA. In respect of dairy quality projects, however, Milk SA is advised by the Dairy Standard Agency (Section 21 company).</p> <p>v. The Board of Directors takes final decisions.</p>	<p>Milk Business Information System Incorporated (Mbisi)</p> <p>HH Meissner and Milk SA</p>	<p>National Milk Performance Testing Scheme of the RSA</p> <p>Research inventory</p>	<p>389 000</p> <p>311 900</p>	<p>700 900</p>

Deciduous Fruit:

Decision-making processes	Institution	Project Title	Amount R	Total R
<p>The SA Apple and Pear Producers' Association (SAAPPA) and the SA Stone Fruit Producers' Association (SASPA) have an operational mandate from their members/producers regarding the allocation of funds. These producers are represented by a board of directors that guides the management of expenditure and the allocation of funds.</p> <p>Decision-making processes are also guided by regional road shows and producer meetings to discuss applications for funding and the allocation of such funding. Democratic voting processes are also followed where an absolute majority is required for action to take place. This relates specifically to new levy applications or increases in levy applications. A consultative process is, however, followed right through all decision-making processes.</p>	n.a.	<p>Research and Development, Training and Technology Transfer :</p> <ul style="list-style-type: none"> • Pome fruit • Stone fruit 	<p>17 929 926</p> <p>3 108 945</p>	<p>21 038 871</p>

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Potatoes:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>All projects, with budget proposals, are submitted to the Technical Committees of Marketing/Research and Transformation for evaluation. These Technical Committees make recommendations to the full Marketing/Research/Transformation Committees. After being presented and discussed at Committee level, the projects are presented to the Director's meeting for their approval and recommendation to the Potato Industry Development Trust (PIDT). All projects are then presented by the managers to the meeting of the PIDT for final approval and the allocation of levy funds.</i>	n.a.	n.a.		5 879 964

Poultry:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>SAPA has a defined strategy that is reviewed annually and monitored by the SAPA Management Committee. The strategy is accompanied by a business/project plan arising out of the Management Committee deliberations and those of the Technical Committees, being the animal health, animal welfare, training, food safety and research selection groups. The business plan/projects are also driven by the Broiler, Chick Producers, Egg and Developing Farmers Organisations which form the four operating divisions of SAPA. A strategy was developed specifically for the Developing Farmers Organisation at the end of 2010, and an accompanying Business Plan has been finalised and accepted by the DPFO Board in Q1 2011 to drive projects.</i>	NAMC	Market research	32 000	588 444
	ITS Trade	Trade research	34 318	
	FC Dubbelman	Trade research	133 937	
	D Jordaan	Trade research	62 100	
	University of Pretoria	n.a.	75 799	
	Provision		250 289	

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Red Meat:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>The Red Meat Industry Forum (RMIF) submitted an application for a statutory levy on the red meat industry value chain during 2007. This levy was approved by the Minister. Included in this application was an industry business plan with proposed service providers, supported by service provider business plans. After approval of the Red Meat Industry Levy, these service providers were formally approved by the RMIF. The service providers submit annual audit certificates to the Levy Administrator confirming that the levy funds received have been utilised in terms of their business plans and budgets.</i>	Red Meat Research and Development Trust	n.a.		1 794 831

Sorghum:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>Applications for funding that are submitted to the Sorghum Trust are referred to an industry-appointed technical committee, namely the Sorghum Research Evaluation Committee. This committee consists of technical people representing various industry sectors, i.e. producers, seed breeders, research institutions, processors, consumers, et cetera. The recommendations of the Research Evaluation Committee are presented to the Sorghum Forum for consideration and final recommendation to the Sorghum Trust. The Forum consists of all directly affected groups in the sorghum industry. The Trust, in turn, takes into consideration the recommendations of both the Research Evaluation Committee and the Sorghum Forum when deciding about the allocation of levy funds to the respective projects, as annually applied for by beneficiaries.</i>	ARC Grain Crops Institute (GCI)	Production	233 405	465 519
	Grain SA	Production	27 700	
	Free State University	Plant Health	183 164	
	University of Stellenbosch	Nutrients	21 250	

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Table grapes:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>All functional budgets and projects are annually approved by the Board of SATI as per the agreed strategy and annual business plan.</i>	DFPT Research	Various projects	6 835 564	8 239 967
	SATI Technical	Development of effective production and supply practices through technical transfer of innovation as well as facilitation of blockages to efficiencies	1 304 403	
	SATI, DFPT Research, CGA	Bactoceres Invadens	100 000	

Wine:

Decision-making processes	Institution	Project Title	Amount R	Total R
<i>The WOSA management team analyses all research data about the international market. A business plan is presented to the Board in February, detailing strategy and budget. Once this is approved, plans and budgets for each country and each major project are presented to the Board. Once approved by the Board, these are executed. Management reports on a three-monthly basis to the Board on expenditure against budget, and evaluates the success of the actions.</i>	Winetech	Viticulture	9 608 507	15 623 317
		Oenology	6 014 810	

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Winter Cereals:

Decision-making processes	Institution	Amount R	Total R
<p><i>In terms of the provisions of the Deed of Trust of the Winter Cereal Trust, trustees are, for the purpose of determining the interest of the beneficiaries undertaking research with regard to winter cereals, compelled to do so after consultation with the Research Technical Committees as prescribed in the Deed of Trust.</i></p> <p><i>The Research Technical Committees meet annually to evaluate all applications received for financial support from levy funds. Applicants are invited to make verbal presentations to the Committees as elucidation to applications.</i></p> <p><i>A trustee who has any interest in any transaction in which the Trust is involved, has no voting right with regard to any resolution relating to the relevant transaction and must physically excuse himself from the meeting before the matter is put to the vote.</i></p>	Department of Agriculture: Western Cape	555 051	
	Pannar	1 614 901	
	Sensako	5 855 880	
	ARC: Small Grain Institute	13 095 329	
	S A B Barley Breeding Institute	1 165 045	
	University of Stellenbosch	1 264 735	
	University of Johannesburg	120 000	
	University of the Free State	1 291 649	
	S A Grain Laboratory	173 850	
	CenGen	758 000	
	University of North-West	36 000	
	ARC: Plant Protection Research Institute	295 098	
			26 225 538

STATUS OF STATUTORY MEASURES – 2010 SURVEY

ANNEXURE E

TRANSFORMATION PROJECTS FINANCED BY STATUTORY LEVIES

Citrus:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount (R)
Human Capacity Development: Citrus Academy	To address: low skills levels, employment equity, scarce and critical skills and land transition (Annual Report attached).	Bursary fund – 58 students Holiday work program – 14 students Industry exposure program – 22 students Internships – 6 students Workplace experience – 4 students Learning material development – 100 000 workers Capacity building – 27 extension officers	1 441 490
Grower Development [Scale Neutral]	To assist new growers with market access, research, representation, administration, information, logistics, and market development.	400 emerging citrus growers and community beneficiaries	2 282 378
Extension Services	To transfer technology to new growers.	400 emerging citrus growers and community beneficiaries	848 580
Grower Development [Specific]	To address specific grower issues, e.g. land reform, access to funding, training.	400 emerging citrus growers and community beneficiaries	942 613
Mentorship	To coach new growers	See CGA Annual Report	738 000
Social Facilitation	To address social conflict issues	10 citrus farms in KZN	129 916
Youth in Citrus	Publication to showcase the extent of the involvement of youth in the citrus industry.		187 826
LEMONEX	BEE project development in Badplaas region		85 087
TOTAL			6 655 895

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Cotton:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount (R) R
Training	To create knowledge and expertise among small-scale farmers relating to cotton growing, and to establish more training facilities and capacity.	3 extension officers from Limpopo, 39 small-scale farmers from KZN, 30 from Mpumalanga and 40 from Limpopo Province received training.	267 458
Cotton Strategy	To broaden participation and expand small-scale farmer cotton production.	Production percentage of total RSA crop = 4.7 %	310 299
Mentorship	To provide a number of mentors to support and impart knowledge and practical skills to small-scale farmers.	n.a.	336 483
Development	To address specific grower issues, e.g. land reform, access to funding, training.	1035 emerging cotton farmers	233 363
TOTAL			1 147 603

Deciduous Fruit:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount (R)
Land Reform and Tree Planting Project	<ul style="list-style-type: none"> • To establish 125 ha of deciduous fruit. The actual planted area was 125.6 ha. • To increase the production footprint of PDI farmers significantly • To help small-scale farmers reach commercial status • To integrate small-scale and PDI farmers into commercial structures • Technical Assistance and support • The establishment and maintenance of suitable land reform models • Feasibility studies • Evaluation of business plans for new and existing projects • To source additional funding for land reform projects • Financial assistance as required from NAMC to give PDI farmers exposure to markets 	166	4 975 047
Bursaries	Focused bursary scheme to enhance and increase skills and competencies in areas lacking such expertise	14	335 000

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Internships	To give students the opportunity to work within the sector and to obtain valuable experience. To integrate post-graduate students into the agricultural sector with employment opportunities.	3	60 000
School tours	To introduce high school students to agricultural careers and to inform them about our industry.		38 043
Social development programmes	To maintain and support expertise and actions to aid women, families, communities with life skills, youth development, health to empower these individuals in their family life and work environment. To empower health workers with knowledge and training regarding TB/HIV/Aids. Continued farm worker development.	n.a.	542 676
Economic development programmes	Support to labour brokers to organise and accredit their practices and to give their workers the necessary training.	n.a.	77 645
TOTAL			6 028 411

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Dried fruit:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Planting Project	To increase the production footprint of PDI farmers significantly To help small-scale farmers reach commercial status To integrate small-scale and PDI farmers into commercial structures Technical Assistance and support	3 166	76 473
Bursaries	Focused bursary scheme to enhance and increase skills and competencies in areas lacking such expertise	2	60 000
Product data catalogue (PDC) Project	Training manuals for Dried Fruit		35 000
School tours	To introduce high school students to agricultural careers and to inform them about our industry.		3 043
Social development programmes	<ul style="list-style-type: none"> • To maintain and support expertise and actions to aid women, families, communities with life skills, youth development, health to empower these individuals in their family life and work environment. • To empower health workers with knowledge and training regarding TB/HIV/Aids. • Continued farm worker development 	n.a.	80 000
Economic development programmes	Support to labour brokers to organise and accredit their practices and to give their workers the necessary training.	n.a.	19 131
Land Reform	<ul style="list-style-type: none"> • The establishment and maintenance of suitable land reform models • Feasibility studies • Evaluation of business plans for new and existing projects • Source additional funding for land reform projects 	n.a.	100 000
Technical Advisor	Mentorship and technical advisory to small-scale farmers	n.a.	184 993
General Advice	Maintain and manage transformation portfolio	n.a.	132 640
TOTAL			691 280

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Pork:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Train the Trainers	SAPPO identified a need for extension officers and animal health technicians to be trained in pig farming. These officials visit developing farmers on a regular basis and, with the necessary skills, will be able to assist developing farmers. A three-day training programme was developed and officials from all the provinces were trained. The course is theoretical as well as practical. SAPPO uses pig veterinarians to present the course. Candidates are examined on course material and a pass mark is required to qualify for a certificate.	165	197 160
Training of producers	The aim of this project is to assist small-scale pig producers to become commercial operations which are sustainable and profitable. Secondly the aim is to provide guidelines for improved productivity for farmers with small pig herds who are raising pigs for sale or their own use. There is not a great deal of information available in a consolidated form to help developing farmers with small herds to obtain the best possible results using the resources that are within their means. This training aims to fill that gap and is an initiative by the commercial pork producers in support of the government's policy of upliftment in agriculture.	124	208 729
Mentoring	One of the major constraints in the developing sector is the lack of knowledge and expertise among developing farmers. Good management is the key to producing healthy pigs that will fetch an acceptable price. The most important components of good management are housing, feeding and disease prevention. Pigs that are comfortably and hygienically housed, well fed, and protected against diseases and parasites will reward the farmer by producing sufficient high quality pork to ensure a return on his or her investment. Mentors visit developing farmers regularly and assist them with their operations.	402	325 503
Business plans and building plans	Developing farmers are assisted with the drafting and compiling of business plans needed to apply for financing. Financial institutions are not prepared to consider applications for financing without business plans. These farmers lack the knowledge of pig production operations and have to be assisted. The business plans are also used by the DTI for considering grants to the projects.		125 000
Building of a demonstration unit in the Eastern Cape	A need for a demonstration unit in the Eastern Cape was identified and SAPPO decided to assist a developing farmer with the erection of a demonstration unit. As environmental impact studies are required for new facilities, SAPPO appointed an environmental specialist to assist the farmer. Building plans were supplied to the producer.		157 984

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Training of township butchery staff	Butchery staff employed by township butcheries lack knowledge of pork meat cutting and techniques. Training courses for these unskilled employees are presented and the course is theoretical. Qualified trainers are used for this course and candidates are examined on course material and a pass mark is required to qualify for a certificate.	124	106 200
North West unit development programme	SAPPO assisted the North West Department of Agriculture with the establishment of out-grower units. SAPPO is responsible to oversee the projects, and weaners and feed have to be ordered for the units and marketing arrangements for the slaughter pigs have to be made. SAPPO provides technical and management skills for these units and coordinates transport etc.	68	241 198
Carcass competition	SAMIC organises a national and regional carcass competition. SAPPO agreed to sponsor the competition for developing pig farmers. In this competition, producers are encouraged to improve on the carcass quality produced.	8 units	50 000
Remuneration Transformation Manager, travelling costs and Committee expenses	A Transformation Manager is responsible for assisting developing new entrants. The committee responsible for managing this function meets eight times per year, and members have to travel to Pretoria.	All developing farmers	631 857
Farm days and study groups	Farm days and study groups are organised for developing farmers. The aim is to assist pig farmers to improve their farming operations.	240	62 000
Visits by pig veterinarians	SAPPO introduced a scheme for pig veterinarians to visit all the units of developing farmers on a regular base. Veterinary advice is provided to these producers.	279	171 092
Office rental and telephone	The office used by the Transformation Manager is rented. Telephone and internet services are provided to this office.		54 810
TOTAL			2 331 533

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Potatoes:

Project Title	Objective and Outcome	Number of Beneficiaries	Amount R
SAND-trial, training, LISA		n.a.	285 047
KZN, East and NE Cape			466 364
Trials and training – colleges			64 363
Mentorship			100 700
Learning material development			87 685
BEE baseline study and consulting			209 852
Bursaries – tertiary pipeline			206 449
Internships and workplace experience			274 094
Transformation Symposium			85 528
Farm-based training and consulting			1 309 994
Informal sector cooperation			68 460
			3 158 536

Poultry

It must be noted that since the Developing Poultry Farmers Organisation (DPFO) co-ordinator was only appointed in Q3 2010 and the DPFO Board only approved the DPFO business plan in January 2011, no formal projects have been started. Work is being done with provincial extension officers to plot a way forward. Provinces have been selected to be the pilot project areas for projects based on the provincial structures, such as in the Western Cape.

Project title	Objective and Outcome	Number of beneficiaries	Amount (R)
Consolidate DPFO Board	The DPFO Board has been formally constituted and will provide the leadership for the transformation projects. To ensure Board attendance there is a need to sponsor travel and accommodation costs via the levy. A DPFO strategy and business plan has been completed to guide the Board.	9	276 929
Provide sponsorship to members	Ensure members can get to and participate in important meetings including the annual AVI Africa Congress.	93	Included in amount above

STATUS OF STATUTORY MEASURES – 2010 SURVEY

DPFO Branding	To increase DPFO membership and ensure a unique identity and “rally point” for the DPFO, a logo has been designed and agreed to by the Board. A formal launch of the logo will be done at provincial meetings during the forthcoming months in 2011. A specific outcome is to provide regional leadership through the brand and to attract more developing farmers.	93 members to start with – with a potential of perhaps 1 000 or more to come	R10 000
DPFO Statistics gathering	To create awareness of common industry concerns of developing farmers. First survey: July to September 2010 Extended survey: October 2010 to February 2011	93 or more	R131 494
Consumer awareness	Various activities that will be of benefit to developing farmers	93 or more	R189 787
Share industry information	Distribute monthly Poultry Bulletin to members, as part of general education about industry activities	93	R27 664
Share in establishment of Poultry Disease Management Unit	To be an integral part of the outcomes of disease research for the benefit of emerging farmers. The spread of disease and lack of food safety may be more pronounced in rural areas.	93 or more	R14 997
Customs monitoring	Contribute to the SAPA activities related to customs monitoring, as cheap imports can and will have a damaging effect on emerging farmer markets	93 or more	R43 417
Proposed: Small-scale farmer support and training in Mpumalanga/Mbombela District Municipality	Major constraints to the growth of emerging farmers are the lack of general knowledge, and the lack of technical and business knowledge specifically relating to poultry. Poultry farming is an excellent method to increase jobs and wealth and is fairly easy to enter, but it is technically demanding. It has been agreed with the Dept. of Agriculture and the Mbombela District Municipality that the levy will fund support for: <ul style="list-style-type: none"> • technical consulting/training, • veterinarian consulting, • business skills training, • risk management plan preparation. • The project details are still being prepared. 	Not yet specified – will depend on the terms of the MoU still to be concluded.	Not yet specified
TOTAL SPEND			R694 288

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Red Meat

Project Title	Objective and Outcome	Number of Beneficiaries	Amount (R)
Zebediela-Emerging producers	Observation and handling of animals	25	22 550
Gauteng-Edenvale-Liebenbergstroom	Care of farm animals	9	9 000
Limpopo-Mara Experimental farm	Observation and handling of animals	6	9 000
Free State-Belvedere Viljoenskroon	Observation and handling of animals	9	9 000
NW- Vryburg-Boereplaas Boerevereniging	Care of farm animals	15	12 000
NW- Vryburg-Lourensgeuk Boerevereniging	Care of farm animals	20	12 000
Polokwane-Matlala-Ga-Manamela	Care of farm animals	15	12 000
Mpumalanga-Lydenburg-Sterkspruit	Observation and handling of animals	6	9 000
Mpumalanga-Lydenburg-Sterkspruit	Care of farm animals	10	9 000
Mpumalanga-Lydenburg	Care of farm animals	6	9 000
Limpopo-Naboomspruit-Bufland Boerdery	Care of farm animals	8	9 000
Mpumalanga-Lydenburg	Observation and handling of animals	9	9 000
Vrystaat-Kroonstad (Steynsrus)	Care of farm animals	20	12 000
Limpopo-Mara Proefplaas	Observation and handling of animals	12	12 000
Vrystaat-Tweeling	Care of farm animals	20	12 000
Landbouskrywers SA award: Emerging red meat producer of 2008	As winner of this category the RPO sponsored a red meat value-chain tour as prize in order for the emerging producer to learn from commercial producers as well as to be familiarised with the value chain.	2	14 721
NERPO	30 % of production development towards NERPO for application towards the emerging sector.		833 052
TOTAL		192	1 014 323

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Sorghum

Project title	Objective and Outcome	Number of beneficiaries	Amount spent
Grain SA	Training/transfer of industry information and best practice methodology regarding sorghum production to small-scale and emerging farmers in Limpopo, Mpumalanga and North West Provinces: <ul style="list-style-type: none"> • Establish and manage sorghum trial plots. • Hold sorghum farmers' days. • Offer five training courses on sorghum production and production practices. • Develop training manuals and training material. 	135 emerging farmers attended the farmers' days and training courses.	438 845
Grain Farmer Development Association (GFADA)	Development projects by GFADA		1754
Total			440 599

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Wine

Project title	Objective and outcome	Number of beneficiaries	Amount (R)
SAWIS	<p>All black people benefit from, have access to and receive all our services.</p> <p>The Information Centre, as a facilitator of information, has a multiplying effect in respect of a wide spectrum of industry-relevant information. It is especially beneficial to, and was set up to target SMME's and black people, and should be regarded as a transformation project. No membership fee is applicable to black people.</p> <p>Also, in accordance with our employment equity plan, it is SAWIS's commitment to give preference to the appointment of suitably qualified black people.</p>		3 060 306
Winetech – Exposure and Training			9 830 961
Enterprise development and preferential procurement – Western Cape	<p>To facilitate the establishment of business enterprises to procure business opportunities across the value chain of the wine industry. These included:</p> <ul style="list-style-type: none"> • new business participation, development, capacity building and workshops, • existing businesses affiliated to the South African Vintners Alliance. 	15 emerging businesses	120 000
Branch administrator development – Western Cape	<p>To develop knowledge and skills of administrators about Extension of Security of Tenure Act (No 62 of 1997) (ESTA), social development, consumer matters and skills development in order for them to serve their communities. These objectives benefited administrators as follows:</p> <ul style="list-style-type: none"> • They were trained and equipped with knowledge and skills about social development. • They were enabled to provide proper advice services regarding evictions, consumer exploitation and skills development. • They were enabled to initiate interventions regarding awareness and prevention of substance abuse and domestic violence in the communities in which they are located 	34 branch administrators	260 008
Land reform empowerment, enterprise and ownership development of BEE farmers	<p>To raise awareness among participants in four wine regions about land reform empowerment opportunities in the wine industry.</p> <p>The basis of the project concerns production and vinification of wine grapes, and all of the</p>	250 participants on land reform empowerment and 98 BEE farmer participants	R400 000

STATUS OF STATUTORY MEASURES – 2010 SURVEY

	involved employees are currently already actively involved in this process.		
Farm Health Award ceremony programme – Western Cape	<p>The programme was implemented to evaluate the socio-economic conditions of farm workers on participating farms and to acknowledge the contributions of farm workers and farmers:</p> <ul style="list-style-type: none"> • to evaluate the socio-economic conditions and skills training of farm workers and to facilitate access to relevant accredited services to address such conditions and needs, • to provide recognition to farm workers for their contributions to agriculture and the economy, • to acknowledge the contributions of producers towards good labour relations and the improvement of the quality of life and standard of living of farm workers, • to recognise the role and contributions of industry leaders to socio-economic transformation of the wine industry and the realisation of the economic empowerment aspirations of farm workers, and • to promote the wine industry and agricultural sector as a good corporate citizen. 	120 individual enrolments to equate approximately 150 farms	R189 300
Leadership development and training (Vineyard Academy) – Western Cape	<p>This programme was implemented by Vineyard Academy and provided training in:</p> <ul style="list-style-type: none"> • production management, • human resource management, • team leading and work ethics, and • strategic planning and project development. 	22 learners completed the programme	R150 000
Farm-based lay counselling – Western Cape	<p>To identify, assess, select, train, mobilise and mandate members of farm communities as lay counsellors:</p> <p>To develop capacity at farm community level which will enable lay counsellors to:</p> <ul style="list-style-type: none"> • identify the prevalence and incidence of substance abuse, HIV/AIDS, violence, and gender conflict, • develop appropriate plans to prevent and raise awareness of substance abuse, HIV/AIDS, violence, and gender conflict, • facilitate access to and referrals for treatment, • act as the mouthpiece of the community to report incidences appropriately, • liaise with relevant institutions such as farmers, police, health authorities, community development workers, local drug committees and Government, and • provide assistance to farm and neighbouring farm communities to address substance abuse, HIV/AIDS, violence, and gender conflict. 	140 representatives from 70 farm communities	R220 000

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Farm worker festival and sports day – Western Cape	<p>The main aim of the farm worker empowerment festival is the annual celebration of socio-economic empowerment initiatives of farm workers:</p> <ul style="list-style-type: none"> • to celebrate the talents in sports and arts of farm workers and strengthening their self-esteem; • to raise awareness about skills training opportunities in sports, arts and craft manufacturing as an alternative means of generating income; • to raise awareness of the prevention and treatment of substance abuse, violence on farms, teenage pregnancies, HIV/AIDS and sexually transmitted diseases; and • to promote recreational programmes for youth to counter juvenile delinquency. 	1800 individual participants from 38 farms and other role player organisations	R100 700
Campaign of no violence against women and children – Western Cape	To raise awareness and to assist social workers with their task at hand in respect of addressing child neglect and domestic violence against women and children, and promoting social justice.	12 farms with 64 participants	R99 300
HIV/AIDS awareness and prevention – Western Cape	To raise awareness about HIV/AIDS and TB amongst farm workers, and to inform them about the related consequences. To inform farm workers how to access services that deal with the illness. To inform farm workers how to live a healthier lifestyle.	14 farms with 32 individual participants	R50 000
CBI Audit facilitation	WOSA in partnership with CBI, a Centre for the Promotion of Imports from developing countries, operating within the policy framework of the Ministry of Foreign Affairs of the Netherlands and the Ministry for Development Co-operation, coordinated and assisted the CBI consultant during the audit of the BEE companies that have been identified to participate in the above CBI ECP (Export Coaching Programme). WOSA provided the CBI wine consultant with information on developments in the wine sector and the BEE participating companies. The WOSA market manager spent 60 hours coordinating these audit meetings, incurring an amount of R47 983.54 in expenses.	9 BEE Companies	R56 105
CBI October Wine EXPO	WOSA supported 9 BEE companies with the payment of a portion of their commitment fees for participation in the CBI export coaching programme, and all 9 companies participated in the October Wine EXPO in Rotterdam.	9 BEE Companies	R99 300
Wine online training	WOSA supported 11 BEE companies to participate in Wineonline training at a cost of R380.00 per participant, and participants were awarded certificates of attendance. The aim of this training was to empower BEE companies with the skills of order processing and to get them to understand procedures for applying for exemption certificates for exports.	11 BEE Companies	R 6 886
WOSA BEE Enterprise Development	WOSA organised and coordinated repeated purchases of wine from BEE companies for the FIFA	5 BEE Companies	R1 354

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Activities			
World Cup Project	World Cup Project by the Department of the Premier, Western Cape. Matome Mbatha spent 10 hours coordinating, processing and arranging delivery of these orders.		
Twelve Apostles Meetings	WOSA introduced and facilitated meetings with the Twelve Apostles Hotel group for listing of the black owned brands. This as a result secured Thandi Wines a listing with the hotel in Camps Bay and the other BEE companies are to be considered for listing in the future. Matome Mbatha spent five hours coordinating meetings with the companies and the purchasing manager of Twelve Apostle	5 BEE Companies	R677
SOWETO Wine Festival 2009	WOSA negotiated with the organisers of the festival to reduce their stand price for the BEE companies. The stand cost was reduced from R4 677.42 to R3 000 and 5 BEE companies were supported by WOSA with payment for stands. Manager time spent was 2 hours. In addition WOSA negotiated with the National Agriculture Marketing Council for payment for accommodation for the 5 BEE companies at the SOWETO Hotel. Manager time spent was 5 hours. Matome Mbatha, WOSA BEE funding coordinator, attended the show and introduced the BEE companies to a journalist from Radio Netherlands, who held interviews with producers. WOSA paid for the flight ticket and hired a car for Matome Mbatha's participation at a cost of R14 740.18, including car hire bookings for the 5 companies' stands. Manager time spent was 2 hours. Companies that attended: 1. Croft Sales T/A Cape Dreams 2. Libby's Pride 3. M'hudi Wines 4. Ses'fikile Wines 5. Lathitha Wines	10 BEE Companies	R30 958
Prowein 2009	WOSA coordinated and applied for DTI funding for the BEE companies to participate in the Prowein show in 2009, and WOSA further assisted the companies with payment of their participation commitment fees of R15 00.00 per company; a total of R9 000.00. Manager time spent was 4 hours. Stands x 10: R250 000 Companies that attended: 1. Thembi & Co Wines 2. Women in Wine 3. M'hudi Wines 4. Ses'fikile Wines 5. Koopmanskloof Wines	6 BEE Companies	R259 541

STATUS OF STATUTORY MEASURES – 2010 SURVEY

	6. Lathitha Wines 7. African Roots Wines T/A Seven Sisters Wines 8. Stellenrust Trust 9. Croft Sales 10. Libby's Pride Wines		
USA Winter Vintner Tour – 2009	WOSA coordinated and applied for DTI funding of the BEE companies to participate in the USA Winter Vintner Tour show 2009, and WOSA further assisted the companies with payment of R2 672.00 for their participation. This was in addition to what was paid by the DTI. Manager time spent was 47.5 hours Companies that attended: 1. M'huDi Wines 2. Ses'fikile Wines 3. Koopmanskloof Wines 4. Lathitha Wines 5. African Roots Wines T/A Seven Sisters Wines 6. Croft Sales	5 BEE Companies	R6 430
London International Wine Trade Fair 2009	Airfares and Accommodation: R103 112.00 Stands x 8: R240 000.00 Companies that attended: 1. Thembi & Co Wines 2. Women in Wine 3. M'huDi Wines 4. Ses'fikile Wines 5. Koopmanskloof Wines 6. Lathitha Wines 7. African Roots Wines T/A Seven Sisters Wines 8. Stellenrust Trust Manager time spent was 4 hours.	5 BEE Companies	R343 654

Mega Tasting 2009	Airfares: R73 772.00 Stands x 10: R70 000.00 Accommodation: R40 470.00	440 black people 145 black females	R184 242
Fundi Training 2009	Companies that attended: 1. Thembi & Co Wines 2. Women in Wine 3. M'hudi Wines 4. Libby's Pride Wines 5. Koopmanskloof Wines 6. Lathitha Wines 7. African Roots Wines T/A Seven Sisters Wines 8. Stellenrust Trust 9. Thandi Wines 10. Cape Dreams Manager time spent was 5 hours		
TOTAL			R748 000

STATUS OF STATUTORY MEASURES – 2010 SURVEY

Winter Cereals

Project Title	Objective and Outcome	Number of Beneficiaries	Amount (R)
ARC: Small Grain Institute	Research and Development Services <ul style="list-style-type: none"> Farmer support programme for developing and resource-poor farmers; the verification of cultivars suitable for production in resource-limited agriculture; and monitoring the soil fertility status in resource-poor environments. 		1 895 514 364 606 63 844
Grain SA	<ul style="list-style-type: none"> Commercialisation of wheat production amongst developing farmers in the Eastern Free State and Western/Southern Cape; Empowerment and capacity amongst black barley farmers in the Tuang Irrigation Scheme 		757 955 206 655
SAB Barley Farm	<ul style="list-style-type: none"> Mentorship of a newly graduated agricultural student from a previously disadvantaged area in grain production: <p>Note: since the finalisation of the financial statements, the support to SAB Barley Farm was expanded to accommodate a second student.</p>		104 400
Vrystaat Koöp Bpk (VKB)	Development of emerging farmers programme An amount of R 1 112 698 has been reserved for allocation to beneficiaries still to be identified. The Trust has been supporting this programme for two years. Due to the nature of the project, where climatic and economic conditions play important roles, and to the involvement of other participants in the programme, applications for support are only expected during the course of 2011.		
The Board of Trustees also considered other applications than those referred to above but was of the opinion that the applications as submitted would not support the Trust's objective to develop emerging farmers to become commercial farmers. The Winter Cereal Trust is committed to utilising the funds reserved for transformation purposes for that purpose only. Trustees have a fiduciary responsibility in utilising funds in this regard and confirmed their responsibility to utilise funds to the best benefit for the industry.			
TOTAL			691 280