



National Agricultural Marketing Council

Promoting market access for South African agriculture

STATUS REPORT ON STATUTORY MEASURES

IMPLEMENTED IN TERMS OF THE MARKETING OF
AGRICULTURAL PRODUCTS ACT,
ACT NO. 47 OF 1996



2012 SURVEY

A REPORT BY THE NATIONAL AGRICULTURAL MARKETING COUNCIL
TO THE MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES

July 2013

TABLE OF CONTENTS

1.	SUMMARY	4
2.	BACKGROUND	5
2.1	Who may apply for statutory measures?	5
2.2	What to include in an application for statutory measures?	5
2.3	Most important considerations	6
2.4	Processes followed in considering applications for statutory measures	6
2.5	Conditions of approval	8
2.6	Inspection and administration of statutory measures	8
2.7	Purpose and outline of this report	9
3.	THE IMPORTANCE OF STATUTORY MEASURES	10
3.1	Purpose of statutory measures	10
3.2	The need for agricultural information	11
3.3	Beneficiaries of statutory levies	13
3.4	The scope of statutory levies in South African agriculture	15
4.	STATUTORY MEASURES IMPLEMENTED	17
4.1	Summary of statutory measures applicable in South Africa	17
5.	FINANCIAL REVIEW OF STATUTORY LEVIES	23
5.1	Levy income	23
5.2	Levy expenditure	25
5.3	Comparison of statutory levy income and expenditure	28
5.4	Trends in levy funding	29
5.4.1	Administration	30
5.4.2	Information	31
5.4.3	Research	32
5.4.4	Transformation	33
5.4.5	Consumer education/Local promotion	34
5.4.6	Export promotion and market access	35
5.4.7	Quality control	36
5.4.8	Plant improvement	37
5.4.9	Production development	38
6.	TRANSFORMATION	39
6.1	Statutory funds available for transformation projects	39
6.2	Transformation in the various industries	40
6.2.1	Citrus	40
6.2.2	Cotton	42
6.2.3	Dairy	44
6.2.4	Deciduous fruit	47
6.2.5	Dried fruit	50
6.2.6	80: proteas	52
6.2.7	Lucerne	52
6.2.8	Mangoes	52

6.2.9	Olives	54
6.2.10	Pecans	54
6.2.11	Pork	54
6.2.12	Potatoes	56
6.2.13	Poultry	59
6.2.14	Red meat	64
6.2.15	Sorghum	67
6.2.16	Table grapes	68
6.2.17	Wine	71
6.2.18	Winter cereals	75
7.	CONCLUSIONS	78
	ANNEXURE A:	
	CONTACT DETAILS OF LEVY ADMINISTRATORS AND TRANSFORMATION MANAGERS	80
	LIST OF TABLES	
	Table 1: Agricultural Products Subjected to Statutory Levies	15
	Table 2: A Summary of Statutory Measures	18
	Table 3: Total Amount of Statutory Levies Collected	23
	Table 4: Levy Expenditure and Allocations to Functions – 2012 Survey	26
	Table 5: Levy Income and Expenditure	28
	Table 6: Transformation Expenditure as Percentage of Levy Income	39
	Table 7: Transformation Projects Funded in the Citrus Industry	41
	Table 8: Transformation Projects Funded in the Cotton Industry	43
	Table 9: Transformation Projects Funded in the Dairy Industry	45
	Table 10: Transformation Projects Funded in the Deciduous Fruit Industry	48
	Table 11: Transformation Projects Funded in the Dried Fruit Industry	51
	Table 12: Transformation Projects Funded in the Mango Industry	53
	Table 13: Transformation Projects Funded in the Pork Industry	55
	Table 14: Transformation Projects Funded in the Potato Industry	58
	Table 15: Transformation Projects Funded in the Poultry Industry	62
	Table 16: Transformation Projects Funded in the Red Meat Industry	66
	Table 17: Transformation Projects Funded in the Sorghum Industry	68
	Table 18: Transformation Projects Funded in the Table Grapes Industry	69
	Table 19: Transformation Projects Funded in the Wine Industry	72
	Table 20: Transformation Projects Funded in the Winter Cereals Industry	76
	LIST OF GRAPHS	
	Graph 1: Percentage Levy Increase Since 2001	25
	Graph 2: Statutory Levy Funding of Generic Functions	29
	Graph 3: Levy Funds Spent on Administration	30
	Graph 4: Levy Funds Spent on Information and Industry Liaison	31
	Graph 5: Levy Funds Spent on Research	32
	Graph 6: Levy Funds Spent on Transformation	33
	Graph 7: Levy Funds Spent on Consumer Education/Promotion	34
	Graph 8: Levy Funds Spent on Export Promotion/Market Access	35
	Graph 9: Levy Funds Spent on Quality Control	36
	Graph 10: Levy Funds Spent on Plant Improvement	37
	Graph 11: Levy Funds Spent on Production Development	38

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
DPFO	Developing Poultry Farmers' Organisation
DFTS	Dried Fruit Technical Services
DTI	Department of Trade and Industry
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
NLT	National Lucerne Trust
PDI	Previously Disadvantaged Individuals
PPECB	Perishable Products Export Control Board
RMIF	Red Meat Industry Forum
RMLA	Red Meat Levy Admin (Pty) Ltd.
SACOTA	SA Cereals and Oilseeds Traders' Association
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
WCDoA	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. Once a statutory measure is approved by the Minister of Agriculture, Forestry and Fisheries (henceforth referred to as the Minister) and promulgated in the Government Gazette, 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 (2012 survey) is the twelfth report on statutory measures compiled by the NAMC and submitted to the Minister.

In this report 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, processors and producers. 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 relevant industry, and to gather information necessary for industry role players to take informed decisions about production and marketing issues in a particular industry.

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 R371.9 million), to analyse the amount spent (approximately R372.5 million) and the areas of application. These amounts may be verified by referring to the audited financial statements of the relevant levy administrators.

This 2012 survey shows that approximately R372.5 million was spent on industry functions – an increase of 8.8 % compared to the 2011 survey. Of the total amount of R372.5 million, approximately 30 % was spent on research, 23 % on transformation projects, 8.6 % on local consumer education, 17.3 % on export promotion, and 12 % on information (more detail in Table 4).

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. More and more industries are considering statutory measures and will apply for ministerial approval in the years to come.

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

2.1 Who may apply for statutory measures?

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. A directly affected group means any group of persons, which 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. The NAMC publishes an annual invitation in the Government Gazette and other news media to 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, 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. The Council keeps a register of all the particulars received. This register is inter alia being 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 such a request to the NAMC within a specified time. The viewpoints of directly affected groups are incorporated in the NAMC's recommendations to the Minister of Agriculture, Forestry and Fisheries.

2.2 What to include in an application for statutory measures?

In order for a directly affected group to apply to the Minister for a statutory measure, the requirements in terms of Section 10(2) of the MAP Act need to be considered. An application should include the following:

- 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 (usually four years)
- A suitable vehicle for implementation
- Inspection and enforcement, and
- Financial implications for the fiscus.

The NAMC expects the following from agricultural industries in terms of statutory measures:

- 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).

2.3 Most important considerations

The MAP Act 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:

1. To increase market access for all market participants,
2. To promote the efficiency of the marketing of agricultural products,
3. To optimise export earnings from agricultural products, and
4. 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.

Statutory measures are implemented for a specific agricultural product. On 4 September 1997, (Government Gazette Notice No. R. 1189) the Minister declared a list of products as agricultural products for the purpose of the MAP Act. 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.

Furthermore, 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.

2.4 Processes followed in considering applications for statutory measures

As indicated before, a directly affected group apply for a statutory measure by means of a written detailed application to the Minister, via the NAMC.

The NAMC Secretariat, and specifically the Statutory Measure Division, comprising of the following persons, are responsible for investigating statutory measure applications:

- Mr Schalk Burger: Senior Manager of the Division
- Ms Lizette Mellet: Senior Economist responsible for field crops industries
- Ms Mathilda van der Walt: Senior Economist responsible for horticulture industries, and
- Mr Ndumiso Mazibuko: Economist responsible for animal husbandry industries.

As soon as an application is received, the NAMC publishes an explanatory note regarding the proposed statutory measure in the Government Gazette and such media as needed to bring the request to the attention of the directly affected groups in the particular industry. In order to ensure that the known directly affected groups are informed, copies of the explanatory note are sent to each directly affected group registered as such with the Council. The industry then has the opportunity to lodge any comments or objections to the NAMC within a specified time. These comments and objectives serve as a further indication of the degree of support for a proposed statutory measure.

In investigating the application, the requirements of the MAP Act are considered and evaluated, and the status of the particular industry is also scrutinised. Apart from this, 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. Although difficult to measure, this should still be considered.

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 uses the guideline that at least two-thirds of persons responsible for paying the levy (based on their market share in the relevant industry), 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 Secretariat will, after finalising the investigation into the application for statutory measures, draft relevant Notices for the possible promulgation of the measures in the Government Gazette. These draft Notices are first sent to the Directorate: Legal Services of the Department of Agriculture, Forestry and Fisheries (DAFF), via the Directorate: Marketing, for certification. After consideration of the investigation report and recommendations by the NAMC at a constituted Council meeting, the final submission with recommendations and certified Notices are sent to the ministry of the DAFF, along the following route for consideration:

- Director: Marketing
- Chief Director: Agro-Processing and Marketing
- Deputy Director-General: Economic Development, Trade and Marketing
- Director General: Agriculture
- Deputy Minister of Agriculture, Forestry and Fisheries
- Minister of Agriculture, Forestry and Fisheries.

Although not specified in the MAP Act, all the designations as indicated above analyse the NAMC's findings and recommendations, and state their own viewpoint and recommendations to the Minister. As soon as the Minister's approval for the application for statutory measures and signed Notices are received back by the NAMC, it will be promulgated in the Government Gazette and communicated to the applicant. It is the responsibility of the applicant to communicate the approved statutory measures further to the relevant industry role players.

It is evident from the above that the process from application until final promulgation of statutory measures could take a period of six months to one year. If there are not proven support for statutory measures, and meetings and further consultation with role players are needed, the process could even take longer. Industries are often reminded to do proper lobbying to get sufficient support and to finalise their applications as soon as possible in order to give ample time for the above process of consideration and approval.

2.5 Conditions of approval

The approval of all 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 at least 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).

The annual review and reporting on statutory measures enables the NAMC to address issues and problems experienced by levy administrators in cases where the above conditions were not met. The NAMC is aware of the fact that some industries find it difficult to adhere to these conditions and therefore drafted policy and guideline documents with regard to transformation and other functions to be funded by levies, and often re-consider and amend these to streamline all efforts in reaching these objectives. These policies and guidelines were attached to previous statutory measures reports, and are available at the NAMC.

2.6 Inspection and administration of statutory measures

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 keeping of records, accurate and timely rendering of returns/information and the 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 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.

Statutory measures are administered by Section 21 Companies and Industry Trusts, listed in Annexure A of this report. These administrators of statutory measures are doing it to the best of their abilities at an insignificant cost (it will be pointed out later in the report that total administration cost contributes only 5.3 % of total levy income). The NAMC wishes to acknowledge and applaud the manner in which administrators operate and appreciate their cooperation with the NAMC.

2.7 Purpose and outline of this report

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 purpose of this report is to give the Minister a summary of all statutory measures promulgated and administrated during the 2011/12 financial year of the relevant agricultural industries, and to report on the impact of these on the objectives of the MAP Act. Furthermore, how the objectives of statutory measures link with the mission of the DAFF, namely to develop and sustain a sector that contributes and embraces:

- Economic growth (and development)
- Job creation
- Rural development
- Sustainable use of natural resources, and
- Food security.

This report is outlined as follows:

The background to statutory measures is set out in the first part of the report, explaining the what, who, how and why. The second part focuses on the importance of statutory measures, with reference to the purpose of statutory measures, the need for agricultural information, viewpoints of some beneficiaries, and a review of the capacity of the agricultural sector that uses statutory measures.

A summary of all statutory measures implemented and reviewed will follow in the third part of this report.

Statutory levies and the financial reporting thereof for the past year will follow, with detail information on levy income and expenditure, and trends for the past eight years.

The last part of the report will focus on transformation expenditure by each and every industry that collects statutory levies. A conclusion ends the report.

3. Importance of Statutory Measures

3.1 Purpose of statutory measures

A description and the purpose of each statutory measure are set out as follows:

Registration:

In terms of Section 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. The purpose of compulsory registration is to provide a database of all role players involved in the particular industry.

Records and returns:

In terms of Section 18 of the MAP Act, 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. The main objective of these measures is to gather information necessary for industry role players to take informed decisions about production and marketing issues in a particular industry.

The above statutory measures are also essential for the administration and inspection of statutory levies.

Levies:

In terms of Sections 15 of the MAP Act, the Minister may, by notice in the Gazette, promulgate a statutory levy in a specific agricultural sector to finance generic functions. 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 2012 survey, the NAMC reviewed statutory levies implemented in 18 agricultural industries. The previous review covered 17 industries. During the past 12 months, new statutory levies were approved in the olive industry.

3.2 The need for agricultural information

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

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.

Most of the commodity organisations which are administering statutory measures relating to registrations and records & returns have done so without any concerns raised by the Competition Commission.

The importance of macro industry information was again highlighted by the grain industry during the reporting year. Exporters and importers of grains and oilseeds are compelled to declare imports and exports of grains and oilseeds as per statutory measure in terms of the MAP Act. The current statutory measure does not, however, make provision for traders to declare exports or imports that have already been contracted and of which the export/import slots in the ports have been booked, as well as contracts of shipments by road/rail into Africa. In short, this information is only available to a few stakeholders in the market, while the rest of the market is reliant on best estimates. Such a situation is not optimal since limited knowledge about future exports, for example, can have much undesired effects, such as food shortages, excessive price increases of basic staple foods and price volatility that will affect the most needy the most.

In view of the importance of food security and against the background of uncertain maize stock positions and highly fluctuating maize prices over the past few years, Grain SA submitted a request on 28 November 2011, to the NAMC, for the establishment of a statutory measure related to records and returns, in terms of section 18 of the MAP Act, and in particular:

The keeping of complete records and the rendering of accurate returns in respect of intended imports or exports, by every intended importer and exporter of grain and oilseeds, to the South African Grain Information Service (SAGIS), within 7 days after a contract has been concluded for the intended import or export of grain or oilseeds. This shall also include any person who acts in the capacity of the aforementioned persons and shall include grain and oilseeds from optional origins or to optional destinations.

Grain SA requested that the proposed statutory measure be administered by the SA Grains Information Services (SAGIS) and be implemented for a period of four years.

During the NAMC's investigation into the application, the SA Cereals and Oilseeds Traders Association (SACOTA) raised the concern that the proposed statutory measures may not achieve the better price transparency desired, and in fact may have the opposite consequence in the grain and oilseeds markets. After deliberations and consultation with all parties involved during 2012, Grain SA officially withdrew the application for the statutory measure, subject to the formation of a Supply and Demand Committee. Grain SA and SACOTA agreed that there is a specific need for information pertaining to grain imports and exports in a timely and accurate manner. In addition, there is also a need for official supply and demand figures for the major grain and oilseed crops. SACOTA agreed, on behalf of grain and oilseeds traders, that generic trade information will voluntarily be supplied by individual traders to the NAMC. The NAMC will then act in accordance with best practice as far as information exchange is concerned so as not to disclose any individual information to any stakeholder that could result in uncompetitive practices.

The result of many discussions was the formation of a Grains and Oilseeds Supply & Demand Committee (S&DEC) and a Grains and Oilseeds Supply & Demand Liaison Committee (S&DELC).

The S&DEC shall be composed of independent grain market experts, responsible for the monthly data collection, calculation and dissemination of information with the assistance of the Crop Estimates Committee (CEC) and SAGIS, to determine the supply and demand for maize, wheat, sorghum and soybeans, and confidentiality will be ensured by means of a lock down principle, and a confidentiality clause will be signed by all members.

The S&DELC shall be composed of directly affected groups in the grain and oilseeds industry, to oversee the work done by the S&DEC, and meet once a year or as the need arises. Both committees will be facilitated by the NAMC, and the latter will also provide secretarial support to the two committees. Funding will be considered by the four relevant industry Trusts, based on the budget of the S&DEC and the contribution proportion used for the funding of SAGIS.

An advisory opinion from the Competition Commission (CC) was requested during 2012 by the NAMC before the S&DEC could be formally constituted. The advisory opinion was received in March 2013. The CC supported the process of disclosing grain and oilseed supply and demand information, subject to certain conditions, namely:

- Checks and balances are needed to verify information
- Review of the system is necessary, and
- The amended criteria for the appointment of independent experts need to be followed.

The grain and oilseeds industries and the NAMC agreed that, if this voluntary collection and dissemination of information is not successful, the statutory route in terms of the MAP Act be again explored.

3.3 Beneficiaries of statutory levies

Statutory levies are administrated by Section 21 companies or in some cases agricultural trusts, as approved by the Minister and promulgated in the Government Gazette. The functions to be funded by statutory levies are determined in the business plan as part of the initial application, and after levy funds are collected, most needed functions are prioritised, and project proposals from various service providing companies are invited and considered to perform certain functions in the most effective manner. The service providing companies/beneficiaries include for instance the Agricultural Research Council (ARC), Universities, Council for Scientific and Industrial Research (CSIR), and other research companies, seed companies, Provincial Departments of Agriculture, quality testing laboratories, etc. While some companies/beneficiaries such as SAGIS depends 100 % on statutory levy funding to be able to perform its information function to the grains and oilseeds industries, others are only partly funded by statutory levies.

A number of beneficiaries were contacted by the NAMC to give their opinion regarding statutory levy funding. Only a few responses were received, summarised as follow:

Pannar:

Pannar does quality analysis of advanced breeding lines for the Winter Cereal Trust (WCT), funded by levies. Without the continued research by entities such as Pannar, the crop yields through the development of new higher yielding cultivars would stagnate resulting in lower profitability of growing wheat for the producer when compared to other crops. The risk of growing wheat and input cost through chemical control can also increase significantly for producers through the regular outbreak of more virulent pathotypes and biotypes of wheat diseases and insects, such as rust and Russian wheat aphid, which over the last decades have largely been under significant genetic control achieved through proactive breeding. Thus, it is imperative for the wheat industry that seed companies continue to do research to develop new wheat cultivars. The levy funds received by Pannar from the WCT assist in continuing these wheat research programmes. However, the levy funds only cover for about 30 % of Pannar's direct wheat research costs. The research programme is already operating on minimum inputs and there is no scope for further streamlining the research programme further. The future of this wheat-breeding programme is heavily dependent on future levies to be received.

The Dairy Standard Agency:

The existence of the Dairy Standard Agency (DSA) is the direct result of the acceptance of a strategic approach by the organised dairy industry, aimed at increasing the market for milk and other dairy products, the improvement of international competitiveness of the SA dairy industry and the empowerment of previously disadvantaged people. The impact of statutory levies to sustain the objectives is fundamental in the implementation and maintenance of the various programmes established to minimise the risk of substandard milk and other dairy products in the retail. The income from statutory levies represents 77 % of all income to the DSA.

The promotion of compliance with standards relating to milk and other dairy products remains a demanding and multi-dimensional task because of the involvement of various regulations relating to product composition, food safety, animal health, animal feed, milking parlours, transportation of milk, processing plants and storage. As a result of fragmentation in legislation and general lack

of government services in the dairy discipline, the issue of industry self-regulation has become a prominent issue. In this case, the DSA as industry initiative relies on a strong relationship with government structures to ensure promotion on compliance with legal standards. The empowerment of the DSA through authorisation in terms of agricultural and health legislation to render industry specific services could provide a mechanism for more effective regulation and risk management in the dairy industry in the interest of the industry and the consumer.

The Western Cape Department of Agriculture (WCDoA):

The WCDoA, programme Research and Technology Development Services received an amount of R1,5 million of their total budget of R88 million, from statutory levy funds (Winter Cereal Trust and Potatoes SA). The contribution from statutory levies is only 1,73 % of their annual budget, and they are of the opinion that research and development should receive substantially more from statutory levies in order to ensure increased production, competitiveness and sustainability of farmers.

The purpose, objectives and composition of administrators and beneficiaries of statutory funds will be investigated and reported on in more detail in the next NAMC review on statutory measures. Another factor that will be investigated is the desirability and effect of statutory levy funding of government bodies, such as the Provincial Departments of Agriculture and the ARC.

3.4 The scope of statutory levies in South African agriculture

Table 1 provides information about agricultural products which are subjected to statutory levies, based on the gross value of the individual agricultural products. (Source: DAFF 2013 Abstract)

TABLE 1: 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	212			
	Sorghum	417			
	Winter cereals	5 617			
	Lucerne seed and hay	3 347			
	Sugar cane**	5 921			
	Maize			24 512	
	Oilseeds			5 973	
	Other			1 713	
Sub-total	15 514	32.5	32 198	67.5	47 712
Horticulture	Citrus	7 734			
	Deciduous and dried fruit	10 735			
	Mangoes	65			
	Potatoes	5 349			
	Viticulture	3 862			
	Vegetables			8 864	
	Other			4 168	
Sub-total	27 745	68.1	13 032	31.9	40 777
Animal products	Dairy	10 195			
	Red meat	21 742			
	Pork	3 564			
	Poultry and eggs	34 633			
	Other			5 804	
	Sub-total	70 134	92.3	5 804	7.7
TOTAL	113 393	69.0	51 034	31.0	164 427

** The sugar industry has its own Sugar Act (1978) and Sugar Industry Agreement of 2000, under the auspices of the Department of Trade and Industry. Levies are collected from cane growers to fund the SA Cane Growers' Association which is responsible for administering the Sugar Act. Based on a budget of R33 million for the 2012/13 financial year and taking into consideration the initial cane delivery estimates of growers for the season ahead, the levy amounts to approximately 0.47 % of the projected price for sugar cane. Once approved, the funds are collected during the year by a levy based on sugar sales and deducted from growers' share of sugar and molasses proceeds. The levy funds research, communication, representation, information and support services to develop, maintain and enhance successful sugar cane farming regions.

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2011/12 is estimated at R164 427 million, compared to R138 159 million in the previous year – an increase of 19.0 %. This increase can be attributed mainly to an increase in the value of field crops and to a lesser extent in horticultural products. According to Table 1, approximately 69.0 % of all agricultural products, in terms of the gross value of the individual products, is subjected to a statutory levy (sugar levy included).

It is also clear from Table 1 that directly affected groups involved with animal products are more inclined to make use of statutory levies: 92.3 % of animal products, in terms of gross value, have statutory levies. The maize industry, which is the second largest agricultural sector after the poultry industry, with a gross value of R24.5 billion, does not need statutory levies due to sufficient funds in the Maize Trust. The maize industry is currently considering a possible application for statutory levies to assist in funding. Approximately 68 % of horticultural industries depend on statutory levy funding. Only 32.5 % of field crops have a statutory levy – taking into consideration the sugar industry, which is collecting funds in terms of other legislation.

4. Statutory Measures

4.1 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 MAP Act, for the 2012 survey. The details of specific levies administered during the year under review is summarised for every industry. Furthermore, the statutory measure relating to registration of specific role players in an industry are included, with the number of role players registered in the year under review. Statutory measures relating to records and returns are also implemented for the same 18 industries, for the purpose of collecting market information. The role players responsible for rendering returns differ in each industry and are not necessarily the same as the role players who registered. The number of returns received per month for every industry is included in the table.



TABLE 2: A SUMMARY OF STATUTORY MEASURES

Statutory Measures		
Statutory levies	Registration (Number of role players registered)	Records and returns (number per month)
Citrus (2010 – 2012)		
Levy payable by producers of all export citrus fruit: 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) Levy payable by producers of all export grapefruit: 2011 60 cents per 15 kg carton 2012 65 cents per 15 kg carton	Commercial producers – 1400 Registered exporters – 321	321
Cotton (2008 – 2012)		
20 cents per kg of cotton lint produced, payable by ginners to Cotton SA produced locally, excluding VAT	Producers – 1998 (current and previous) Ginners – 5 Spinners – 4	5 ginners and 5 spinners
Deciduous fruit		
Pome and Stone Fruit Levies: (2011 – 2015) 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 apple juice concentrate processing plants Levies specifically for market development: (2010 – 2012) 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	240 role players	186

Statutory Measures																											
Statutory levies		Registration (Number of role players registered)	Records and returns (number per month)																								
<u>Integrated area-wide fruit fly control programme in specific production areas:</u> (2009 – 2013) 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																											
Dried fruit (2009 – 2013)																											
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		Registered packers/traders – 8	5																								
Fynbos (proteas) (2011 – 2015)																											
R1.60 per standard export carton, R1.72 in the second year, R1.85 in the third year and R2.00 in the fourth year.		Producers – 72 Exporters – 11 Veld harvesters – 11 Associated members – 17	Producers 107 Exporters 11																								
Grains (maize, oilseeds, sorghum, and winter cereals) (2008 – 2012)																											
Sorghum (2009 – 2014) R16.00 per ton sorghum on all first buyers and producers of sorghum		Commercial grain storers – 48 Processors – 533 Harbour silo owners – 15 End consumers – 29 Importers / exporters – 37 Other traders – 47	1 343																								
<table border="0"> <thead> <tr> <th colspan="4" style="text-align: center;">Winter cereals (2010 – 2014)</th> </tr> <tr> <th>Term</th> <th>Wheat</th> <th>Barley</th> <th>Oats</th> </tr> </thead> <tbody> <tr> <td>1/10/2010 to 30/9/2011</td> <td>R14 /t</td> <td>R13 /t</td> <td>R10 /t</td> </tr> <tr> <td>1/10/2011 to 30/9/2012</td> <td>R15 /t</td> <td>R14 /t</td> <td>R11 /t</td> </tr> <tr> <td>1/10/2012 to 30/9/2013</td> <td>R16 /t</td> <td>R15 /t</td> <td>R12 /t</td> </tr> <tr> <td>1/10/2013 to 30/9/2014</td> <td>R17 /t</td> <td>R16 /t</td> <td>R13 /t</td> </tr> </tbody> </table>		Winter cereals (2010 – 2014)				Term	Wheat	Barley	Oats	1/10/2010 to 30/9/2011	R14 /t	R13 /t	R10 /t	1/10/2011 to 30/9/2012	R15 /t	R14 /t	R11 /t	1/10/2012 to 30/9/2013	R16 /t	R15 /t	R12 /t	1/10/2013 to 30/9/2014	R17 /t	R16 /t	R13 /t		
Winter cereals (2010 – 2014)																											
Term	Wheat	Barley	Oats																								
1/10/2010 to 30/9/2011	R14 /t	R13 /t	R10 /t																								
1/10/2011 to 30/9/2012	R15 /t	R14 /t	R11 /t																								
1/10/2012 to 30/9/2013	R16 /t	R15 /t	R12 /t																								
1/10/2013 to 30/9/2014	R17 /t	R16 /t	R13 /t																								
Lucerne (2011 – 2014)																											
60 cents per kg on clean seed R3 per ton on lucerne hay not analysed by a NIR instrument R5 per ton for lucerne hay analysed by a NIR instrument		Lucerne seed producers – 246 Lucerne seed cleaners – 7 Lucerne seed traders – 18 Lucerne hay producers – 485 Lucerne hay traders – 34	59																								

Statutory Measures		
Statutory levies	Registration (Number of role players registered)	Records and returns (number per month)
Mangoes (2012 – 2014)		
3 cents per kg (R30 per ton) fresh mangoes intended for processing (including achar, juice, dried mangoes and mangoes for fruit salads).	Commercial and emerging growers – 164 Beneficiary communities – 22 Registered Mango Processors – 33	33 mango processors
Milk (2009 – 2013)		
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, curded 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 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	Milk buyers – 162 Importers – 80 Producer-distributors – 128	370
Mohair (2012 – 2016)		
No statutory levy	Mohair producers – 1042 Buyers/importers/ exporters – 8 Mohair brokers – 4	1054
Olives (2012 – 2016)		
8 cents per kg on all table olives and 40 cents per litre on all olive oil, payable by producers, processors and importers	Olive oil processors – 98 Nurseries – 16 Importers – 32	20
Pecans (2012- 2016)		
15 cents per kg on all pecans and pecan products	Producers and importers – 392	392
Pork (2010 – 2014)		
R7.00 per head (VAT excluded) of pigs slaughtered at abattoirs and pigs exported live	Registered abattoirs – 153 Exporters of live pigs – 2	151

Statutory Measures			
Statutory levies		Registration (Number of role players registered)	Records and returns (number per month)
Potatoes (2011 – 2015)			
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		Bag manufacturers – 6 Processors – 10 Potato certification services – 1 Importers – 5 Exporters – 13 Retailers – 12 Producers – 650 Fresh produce markets – 23	679
Poultry and eggs (2009 – 2013)			
Per day-old female parent broilers chickens sold or placed:	Per one dozen packaged eggs sold:	Broilers – 220 Broiler hatcheries – 2 Broiler abattoirs – 2 Egg producers – 133	330
Oct 2009 – Dec 2010: R1.32 Jan – Dec 2011: R1.45 Jan – Dec 2012: R1.45 Jan – Dec 2013: R1.52	Oct 2009 – Dec 2010: 2.23 cents Jan – Dec 2011: 2.45 cents Jan – Dec 2012: 2.45 cents Jan – Dec 2013: 2.57 cents		
Red meat (2010 – 2014)			
<u>Cattle:</u> R3.87 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal R6.45 per head – payable by the owner at slaughter, to the abattoir R400 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 R6.45 per head of cattle exported live 0.07 % of commission on the sale of designated animals R0.0124 per kg of hides produced locally <u>Sheep and goats:</u> R0.83 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal R1.25 per head – payable by the owner at slaughter, to the abattoir R400 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		Abattoirs – 326 Livestock agents – 49 Exporters (hides & skins) – 9 Importers – 60 Meat processors – 20 Tanneries – 7	467

Statutory Measures		
Statutory levies	Registration (Number of role players registration)	Record and returns (Number per month)
R1.25 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 of designated animals R0.0124 per kg of skins – payable by the processor of the skin produced locally <u>Processed meat:</u> R0.0124 per kg of red meat, red meat products and pork purchased by meat processors for processing or further processing		
Table grapes exported (2008 – 2012)		
8 cents per kg on all exported volumes of table grapes (all classes)	Primary producers – 3 596 Producer cellars – 54 Private cellars – 493 Producing wholesalers – 26 Exporters – 40	60
Grapes and grape juice intended for the production of wine (2010 – 2013)		
Research and development levy: Grapes: R15.82 per ton Grape juice concentrate: 2.26c per litre at 17.4 degrees Balling Drinking wine: 2.26c per litre Distilling wine and wine spirit: 1.95c per litre at 10 % alcohol by volume Wine export generic promotion levy: Export wine in bulk: 7.96c per litre Otherwise 10.95c per litre Information levy: Grapes: R10.71 per t Grape juice concentrate: 1.53c per litre at 17.4 degrees Balling Drinking wine: 1.53c per litre Empowerment and transformation levy: Grapes: R2.12 per ton Grape juice concentrate: 0.30c per litre at 17.4 degrees Balling Drinking wine: 0.30c per litre	Primary producers – 3 596 Producer cellars – 54 Private cellars – 493 Producing wholesalers – 26 Exporters – 40	3 750
Wool (2012 – 2016)		
No statutory levy	Growers – 10 583 Brokering firms – 6 Buying / exporting firms – 9 Early-stage processors – 2 Traders – 96	17

5. FINANCIAL REVIEW OF STATUTORY LEVIES

5.1 Levy income

Table 3 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 3: TOTAL AMOUNT OF STATUTORY LEVIES COLLECTED

Product	Levy income R	Total value of product at the first point of sale * R	Levy income as a percentage of the value of the product %	Levy collection rate %
Citrus	42 216 161	6 000 000 000	0.70	100
Cotton lint	4 301 824	239 000 000	1.80	100
Dairy products	33 049 860	9 665 544 000	0.34	112
Deciduous fruit	54 919 659	1 470 379 716	3.74	96
Dried fruit	2 439 865	569 626 735	0.43	96
Fynbos: proteas	332 502	44 180 000	0.75	95
Lucerne	981 934	3 347 000 000	0.03	85
Mangoes	1 402 074	93 471 600	1.50	94
Olives	190 662	unknown	unknown	7
Pecans	1 165 000	unknown	unknown	95
Pork	17 365 607	3 187 500 000	0.54	103
Potatoes	30 656 649	6 600 000 000	0.46	97
Poultry	26 939 374	37 806 000 000	0.07	91
Red meat	25 026 348	20 878 000 000	0.12	100
Sorghum	2 072 332	487 960 000	0.42	89
Table grapes	19 220 068	3 170 115 222	0.61	95
Wine	61 748 389	3 594 400 000	1.72	99
Winter cereal	47 947 145	6 368 127 000	0.75	99
TOTAL	371 975 453	103 521 864 273	0.36	92

*as provided by levy administrators

Total levies collected

The total levies collected for the year under review amounted to R371.9 million, which is 8.8 % more than the R341.7 million reported as total levy income in the previous review. This increase can be attributed to levy income reported for the first time in the fynbos, lucerne, olives and pecan industries, and also to the fact that almost every industry concerned had a better crop with a resulting better levy income than budgeted.

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 2012 survey (approximately R103.5 billion), is approximately 80 % higher than the total value reported during the 2011 survey (approximately R57.4 billion). (Lucerne and fynbos: proteas were not included in the previous report.) The gross value of animal products, field crops and horticultural products contributed 47,2 %, 28,3 % and 24,5 % respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 17,4 %, followed by cattle and calves slaughtered with 10,3 %. (Source: DAFF)

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 0.4 %.

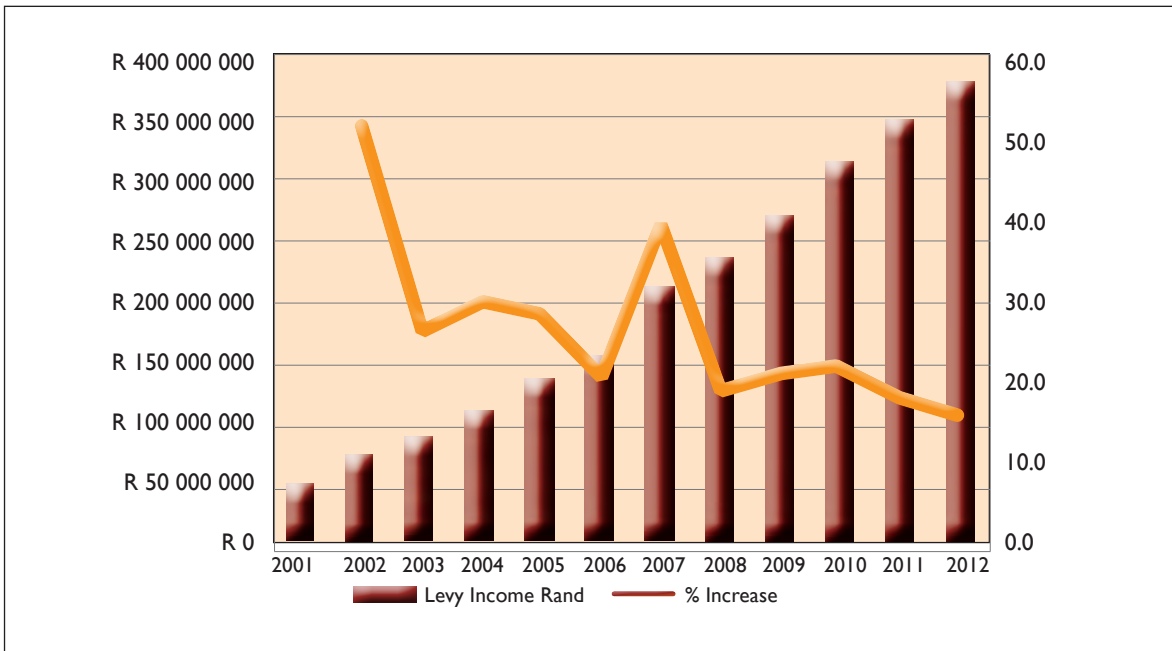
Levy collection rate

Most levy administrators achieved a high collection rate. The average collection rate of all products is approximately 92 %. 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.

Trends in statutory levy income

The following graph gives a summary of the statutory levies collected since 2001 as well as the percentage increase of levies on an annual basis. Although statutory levy income increases, the increase of statutory levy income shows a decreasing trend on an annual basis. The 8.8 % increase in levies reported in the 2012 survey compared to the levies reported in the 2011 survey, is the lowest percentage increase for the past 11 years. The reason for this trend is that most of the bigger agricultural industries already make use of statutory levies and future levy increases will to a greater extent only reflect increases due to inflation, rather than industries applying for the first time.

GRAPH 1: PERCENTAGE LEVY INCREASE SINCE 2001



5.2 Levy expenditure

The total expenditure of levy funds for the 2012 survey amounted to R372.5 million, which is 8.8 % more than the R342.2 million reported in the 2011 survey. Table 4, as included in the next three pages, shows the levy expenditure on each function funded per industry, as reported by the various levy administrators for 2012. Each expenditure item was calculated as a percentage of the total levy income per industry. This clearly indicates the level of compliance to the conditions of approval, as mentioned under paragraph 2.5 of this report. These expenditures were verified by the audited financial statements submitted by levy administrators. (The olive and pecan industries have not yet funded any functions as the reporting year was the first year of levy implementation).

TABLE 4: LEVY EXPENDITURE AND ALLOCATIONS TO FUNCTIONS – 2012 SURVEY

Industry and levy income***	Administration	Transformation	Export promotion/ market access	Research	Information and industry liaison	Production development	Consumer education/ promotion	Plant improvement	Quality control	Total expenditure
Citrus	1 383 373	8 068 831	10 411 542	22 831 485	1 811 642					44 506 873
% of R42 216 161**	3.28	19.11	24.66	54.08	4.29					
Cotton	70 404	620 422	282 678	120 000	3 165 234				1 697 797	5 956 535
% of R4 301 824	1.64	14.42	6.57	2.79	73.58				39.47	
Dairy	2 913 502	4 568 587		263 192	5 320 352	40 500	8 243 714		3 643 359	24 993 206
% of R33 049 860	8.82	13.82		0.80	16.10	0.12	24.94		11.02	
Deciduous fruit	2 512 617	7 649 409	1 176 452	15 806 002	4 805 013			2 400 126	420 424	34 770 043
% of R34 770 043	7.23	22.00	3.38	45.46	13.82			6.90	1.21	
Market development levy			11 932 127							11 932 127
% of R16 308 272			73.17							
Fruit fly levy						3 841 344				3 841 344
% of R3 841 344						100.00				
Dried fruit	339 032	1 067 351		1 997 520	458 446			876 879		4 739 228
% of R2 439 865	13.90	43.75		81.87	18.79			35.94		
Fynbos	48 481	0	70 000	44 040	87 479					250 000
% of R332 502	14.58	0	21.05	13.25	26.31					
Lucerne	80 924	32 907		256 973	207 773				93 298	671 875
% of R981 934	8.24	3.35		26.17	21.16				9.50	
Mangoes	90 945	167 400		113 435	587 865		182 899			1 142 544
% of R1 402 074	6.49	11.94		8.09	41.93		13.04			
Olives	0									0
% of R190 662										
Pecans	0									0
% of R1 165 000										
Pork	894 261	7 990 173		490 852	638 479		8 785 023		2 238 220	21 037 008
% of R17 365 607	5.15	46.01		2.83	3.68		50.59		12.89	
Potatoes	1 528 584	5 461 337	6 014 049	6 046 788	6 846 546					25 897 304
% of R30 656 649	4.99	17.81	19.62	19.72	22.33					

Industry and levy income***	Administration	Transformation	Export promotion/ market access	Research	Information and industry liaison	Production development	Consumer education/ promotion	Plant improvement	Quality control	Total expenditure
Poultry	1 025 219	6 170 592		4 922 257	3 794 616		7 544 788		7 041 215	30 498 687
% of R26 939 374	3.81	22.91		18.27	14.09		28.01		26.14	
Red meat	2 249 596	6 679 912		2 980 127	1 183 301	2 687 362	5 676 314		4 171 250	25 627 862
% of R25 026 348	8.99	26.69		11.91	4.73	10.74	22.68		16.67	
Sorghum	64 621	282 676		947 918	492 867					1 788 082
% of R2 072 332	3.12	13.64		45.74	23.78					
Table grapes	1 886 858	5 533 378	2 971 219	7 720 961	2 778 846		47 365			20 938 627
% of R19 220 068	9.82	28.79	15.46	40.17	14.46		0.25			
Wine	1 290 707	19 045 328	28 404 612	4 948 712	7 955 792					61 645 151
% of R61 748 389	2.09	30.84	46.00	8.01	12.88					
Winter cereals	2 377 736	10 357 529		36 696 861	2 870 284					52 302 410
% of R47 947 145	4.96	21.60		76.54	5.99					
Total 2012	18 756 860	83 695 832	61 262 679	106 187 123	43 004 535	6 569 206	30 480 103	3 277 005	19 305 563	372 538 906
% of R371 975 453	5.04	22.50	16.47	28.55	11.56	1.77	8.19	0.88	5.19	

*** Each expenditure item was calculated as a percentage of the total levy income per industry.

This clearly indicates the level of compliance to the conditions of approval, as mentioned under paragraph 2.5 of this report.

Please note that the total expenditure and total levy income differs in most industries, as explained in the next paragraphs to follow.

5.3 Comparison of statutory levy income and expenditure

According to the audited financial statements of the different levy administrators, the levy income and expenditure and resulting surpluses and deficits were as follows:

TABLE 5: LEVY INCOME AND EXPENDITURE

Product	Levy income R	Levy expenditure R	Surplus/deficit R
Citrus	42 216 161	44 506 873	-2 290 712
Cotton lint	4 301 824	5 956 535	-1 654 711
Dairy products	33 049 860	24 993 206	8 056 654
Deciduous fruit	54 919 659	50 543 514	4 376 145
Dried fruit	2 439 865	4 739 228	-2 299 363
Fynbos: proteas	332 502	250 000	82 502
Lucerne	981 934	671 875	310 059
Mangoes	1 402 074	1 142 545	259 529
Olives	190 662	0	190 662
Pecans	1 165 000	0	1 165 000
Pork	17 365 607	21 037 008	-3 671 401
Potatoes	30 656 649	25 897 304	4 759 345
Poultry	26 939 374	30 498 687	-3 559 313
Red meat	25 026 348	25 627 862	-601 514
Sorghum	2 072 332	1 788 082	284 250
Table grapes	19 220 068	20 938 627	-1 718 559
Wine	61 748 389	61 645 151	103 238
Winter cereal	47 947 145	52 302 410	-4 355 265
TOTAL	371 975 453	372 538 907	-563 454

As shown in Table 5, levy expenditure exceeded levy income in the majority of industries, and it was only the dairy, deciduous fruit and potato industries which reported fairly high surpluses. Statutory levies are normally promulgated for a four-year period and industries budget that income and expenditure match over a four-year period. Therefore, deficits are funded by surplus levy income from previous financial years, or by other income. Deficits may also be attributed to lower than expected crop sizes and consequently lower than budgeted levy income.

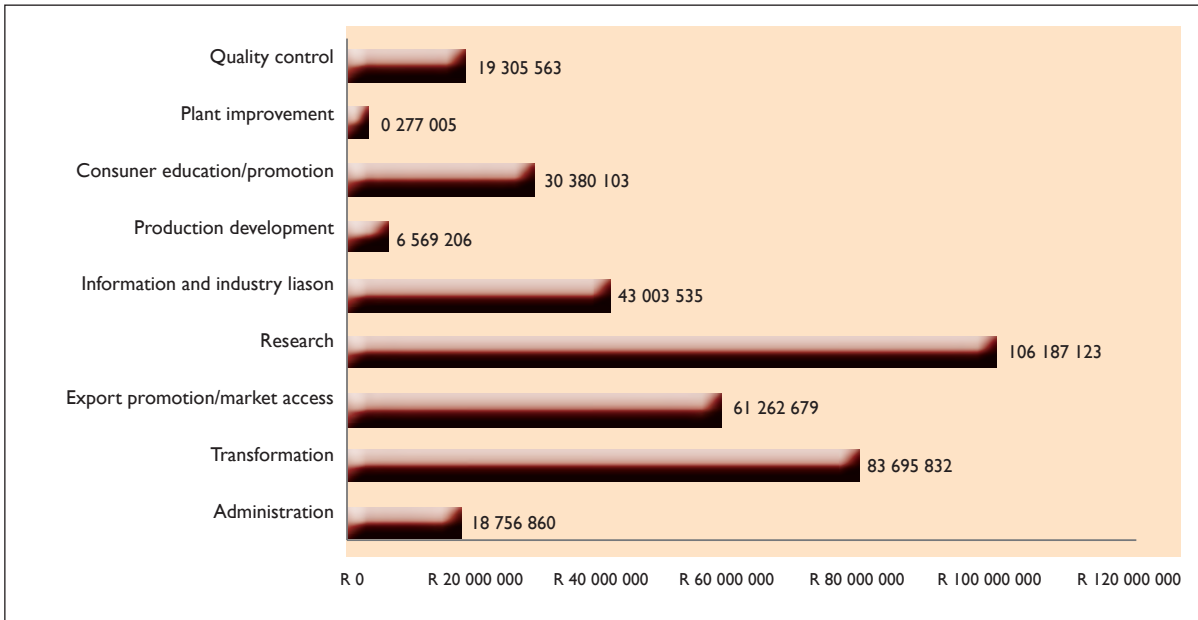
The MAP Act stipulates that the Minister must decide how any surplus funds are dealt with after the period of a statutory levy has lapsed (for example after a four-year period). Experiences in the past have proven that over a four-year period (or the period for which the levy was approved), levy expenditure equals or is very close to levy income. In the case of application for the continuation of statutory levies, the NAMC analyses the allocation of levy income the first few years, to make sure that levy administrators adhere to the condition of approval by the Minister.

5.4 Trends in levy funding

Although this Report (2012 survey) is the 13th survey regarding the status of statutory levies, the NAMC only started eight years ago to record statutory expenditure in a more detailed manner.

The following graph summarises the levy funding on generic functions in 2012.

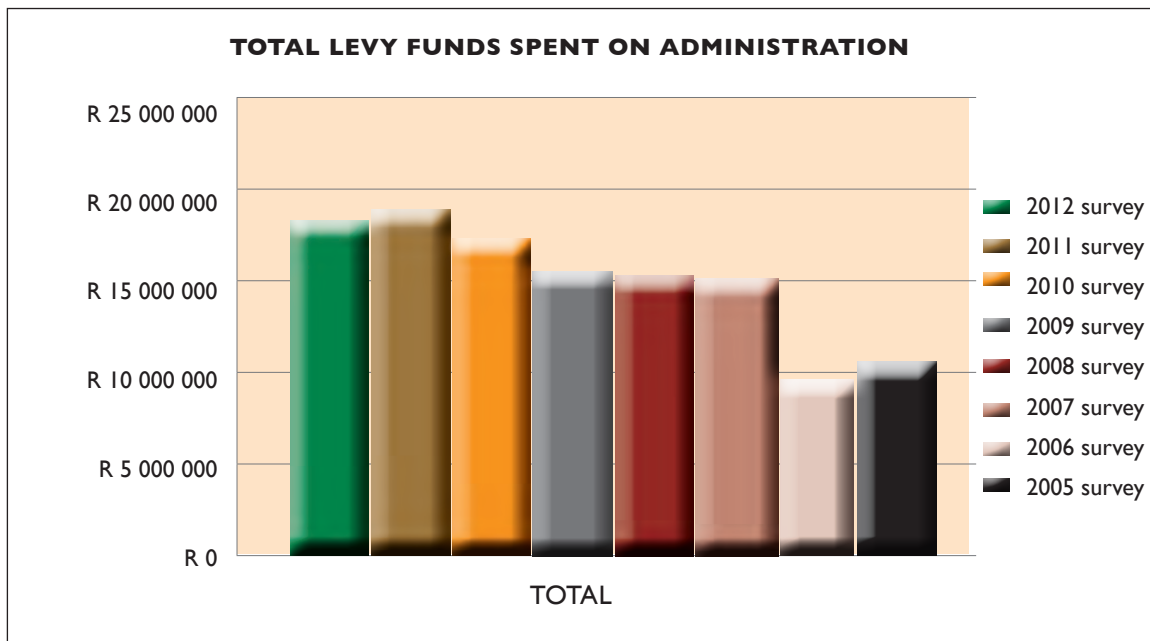
GRAPH 2: STATUTORY LEVY FUNDING OF GENERIC FUNCTIONS



5.4.1 Administration

With regard to the utilisation of statutory funds, the NAMC has implemented a guideline that not more than 10 % of levies collected should be used for administrative purposes. The 2012 survey shows that approximately 5.3 % (R18.7 million compared to R19.4 million in 2011) of levies collected was spent on administration costs, which is below the guideline of no more than 10 %. One of the largest components of administration costs is audit fees.

GRAPH 3: LEVY FUNDS SPENT ON ADMINISTRATION

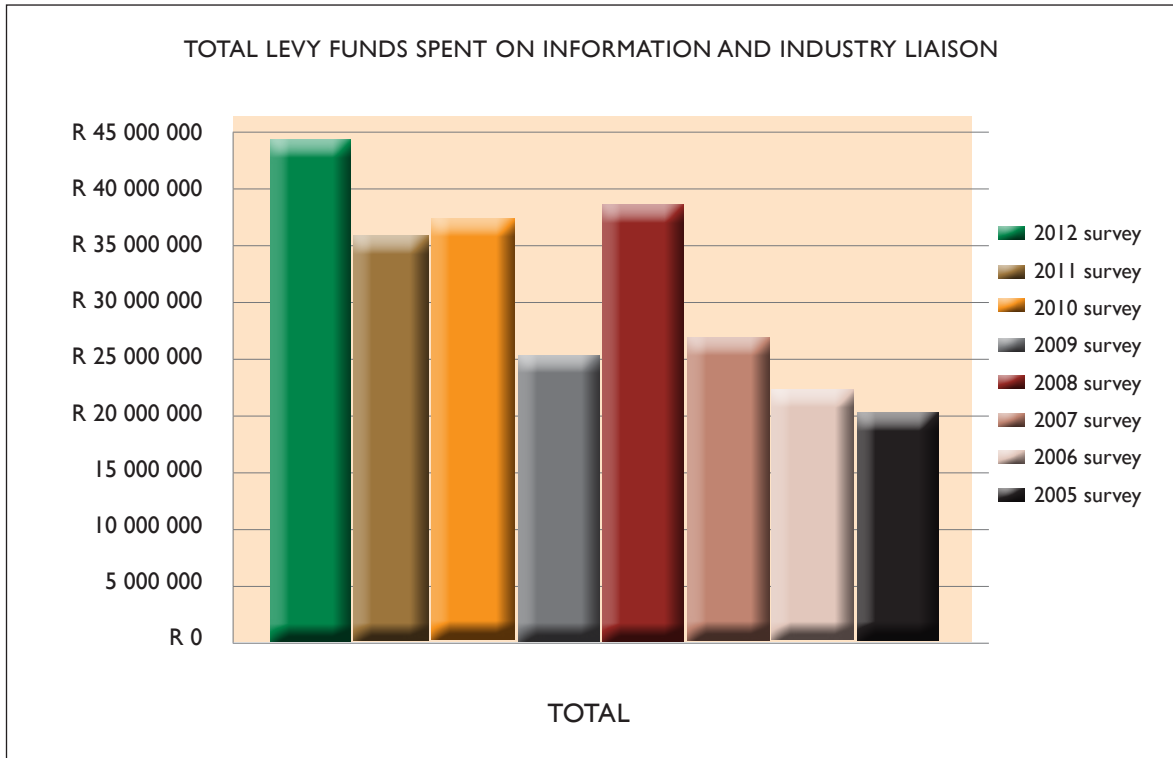


The highest administration cost compared to levy income was observed in the fynbos industry (14.6 %) and dried fruit industry (13.9 %). The administrators of statutory levies in these industries will be assisted to decrease their expenditure in administrating levies to more acceptable levels.

5.4.2 Information

According to the 2012 survey, approximately 11.6 % (R43.05 million compared to R34.2 million in 2011) of total levy income was allocated to the information function.

GRAPH 4: LEVY FUNDS SPENT ON INFORMATION AND INDUSTRY LIAISON



The cotton industry spent most of its levy funds on information (73.6 %). Cotton SA has since 1998 established itself as the major local source of cotton market information, in that many role-players in the cotton industry have become dependent on the information services provided by Cotton SA, which is regarded as critical for strategic planning by the industry.

Some of the information projects funded by the cotton levy include:

- Monthly market reports on both the local as well as the international situation, posted and/or e-mailed monthly to core producers and other role-players in the industry as well as to the media
- Cotton South Africa's website, which records on average 41 000 visits annually
- Publications such as the quarterly Cotton SA magazine, which provides, amongst others, feedback on research projects and small-scale farmers activities. The magazine is currently mailed to about 1 920 farmers, which include about 450 small scale farmers, as well as to more than 500 other subscribers
- Articles in various agricultural magazines
- A comprehensive Management Guide for Commercial Farmers as well as a Cotton Guide for Small Scale Farmers are also made available by Cotton SA to current and potential cotton farmers
- Shows, exhibitions and expos where market information is disseminated
- Information on various cotton matters are also being made available by way of the following publications which are obtainable from Cotton SA

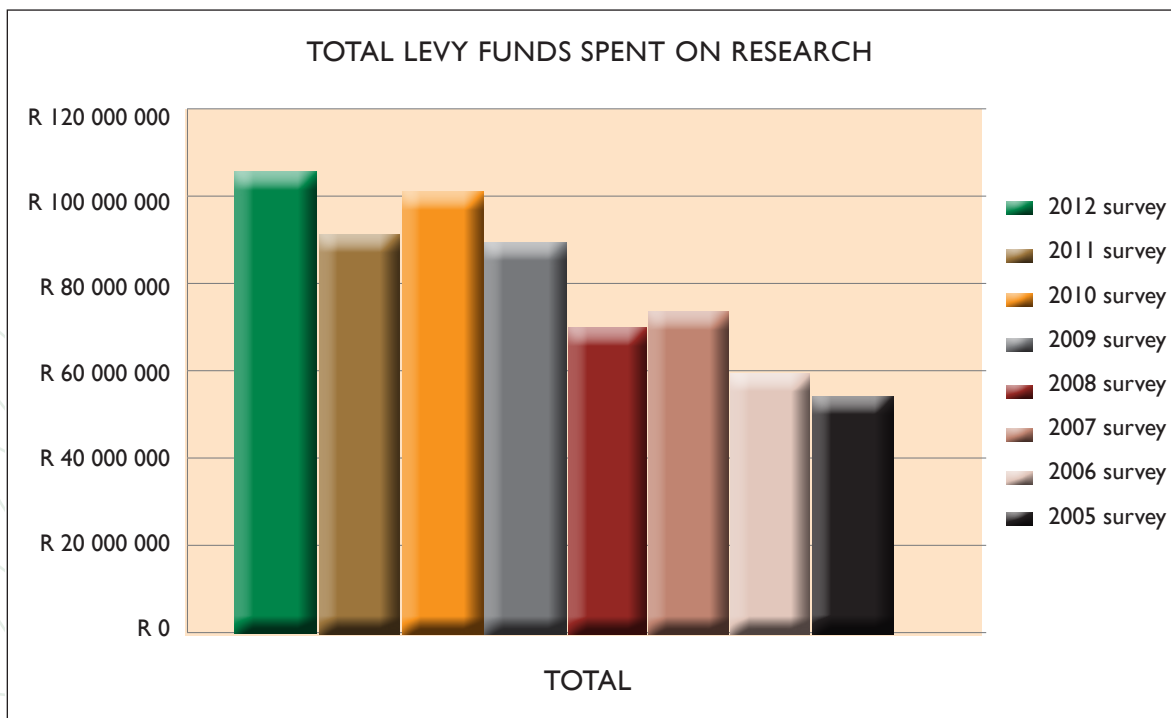
- Core Cotton Statistics Booklet, Educational brochures (for schoolchildren and students), Organisation Information Brochures, Small Farmer Weed Identification Guide, Scouting guide for Cotton Pests, Cleaner Cotton Production Guide, Integrated Pest Management CD, an organic Cotton CD, and a video on Cotton Picking Techniques.

The yarn manufacturing industry, increased processing speeds, new spinning technologies and heightened quality expectations, have changed the industry’s focus and buying strategy of raw materials, hence the fact that up to date crop information is now more critical than ever before. Fibre utilisation decisions taken by the ginning and spinning industries have a more direct impact on the primary cotton producing industry, be it emerging or commercial farmers. These farmers are totally dependent on proper and accurate market information to assist them to conform to the strict requirements set by the spinning industry with regard to their raw material inputs.

5.4.3 Research

Research is the generic function which receives the biggest portion of total statutory levies. The 2012 survey shows that approximately 30 % (or R106.8 million compared to R91.8 million in 2011) of total levy income was allocated to the research function. 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.

GRAPH 5: LEVY FUNDS SPENT ON RESEARCH



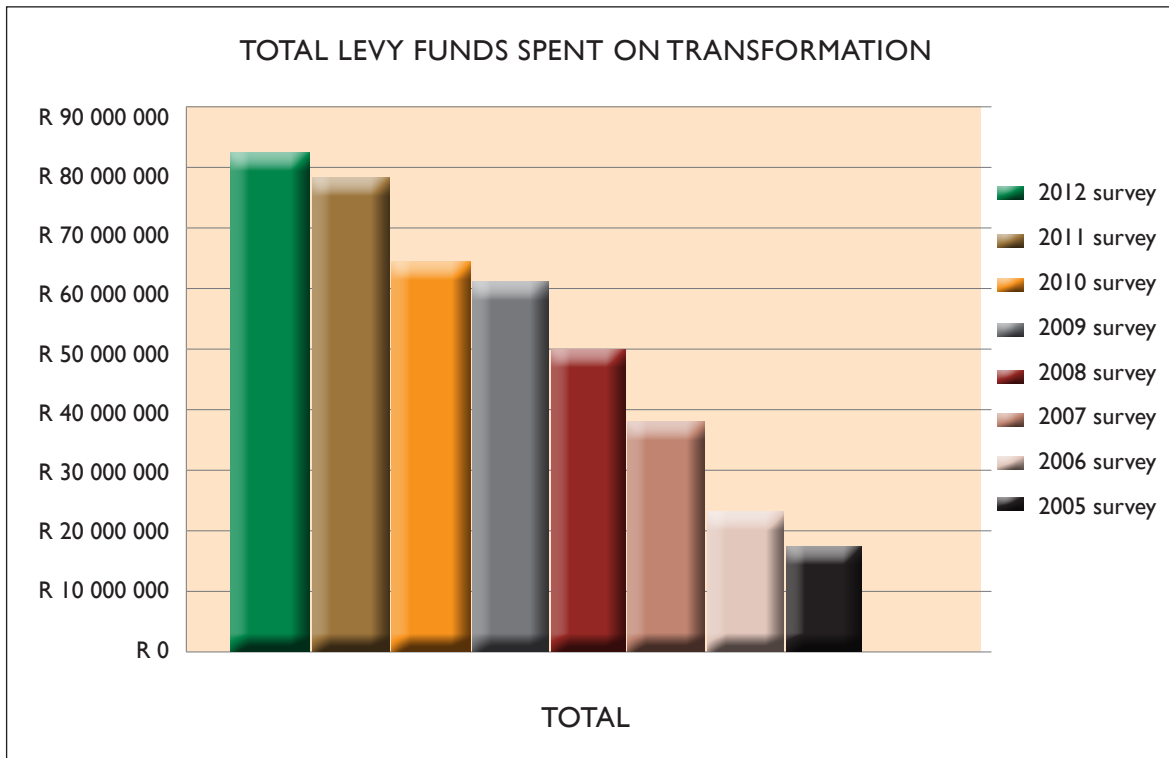
During 2012, the dried fruit industry spent 81.8 % of levy income on research, followed by winter cereals (76.5 %), citrus (54 %), deciduous fruit and sorghum (both 45 %) and table grapes (40 %). It is evident that research remains the most important function in a competitive global market.

5.4.4 Transformation

As mentioned earlier, the NAMC adopted a guideline that at least 20 % of levy income should be used for transformation purposes. According to the 2012 survey, approximately 22.5 % (R83.7 million compared to R79.8 million spent in 2011) of total levy income was spent on transformation projects. More information on transformation is included in section 5 of this report.

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

GRAPH 6: LEVY FUNDS SPENT ON TRANSFORMATION

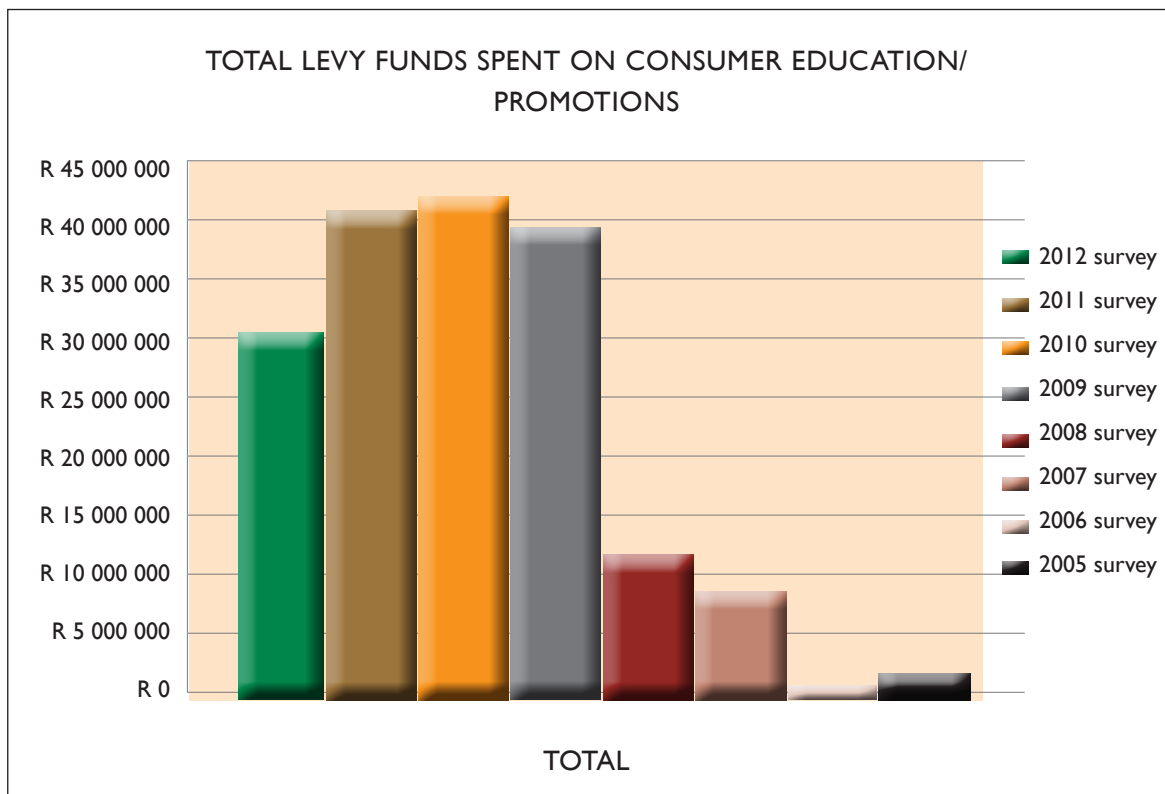


5.4.5 Consumer education/Local promotion

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.

During the 2012 survey, approximately 8.2 % (R30.5 million) of total levy income was spent on consumer education/promotion compared to the R44.6 million during the 2011 survey.

GRAPH 7: LEVY FUNDS SPENT ON CONSUMER EDUCATION/PROMOTION



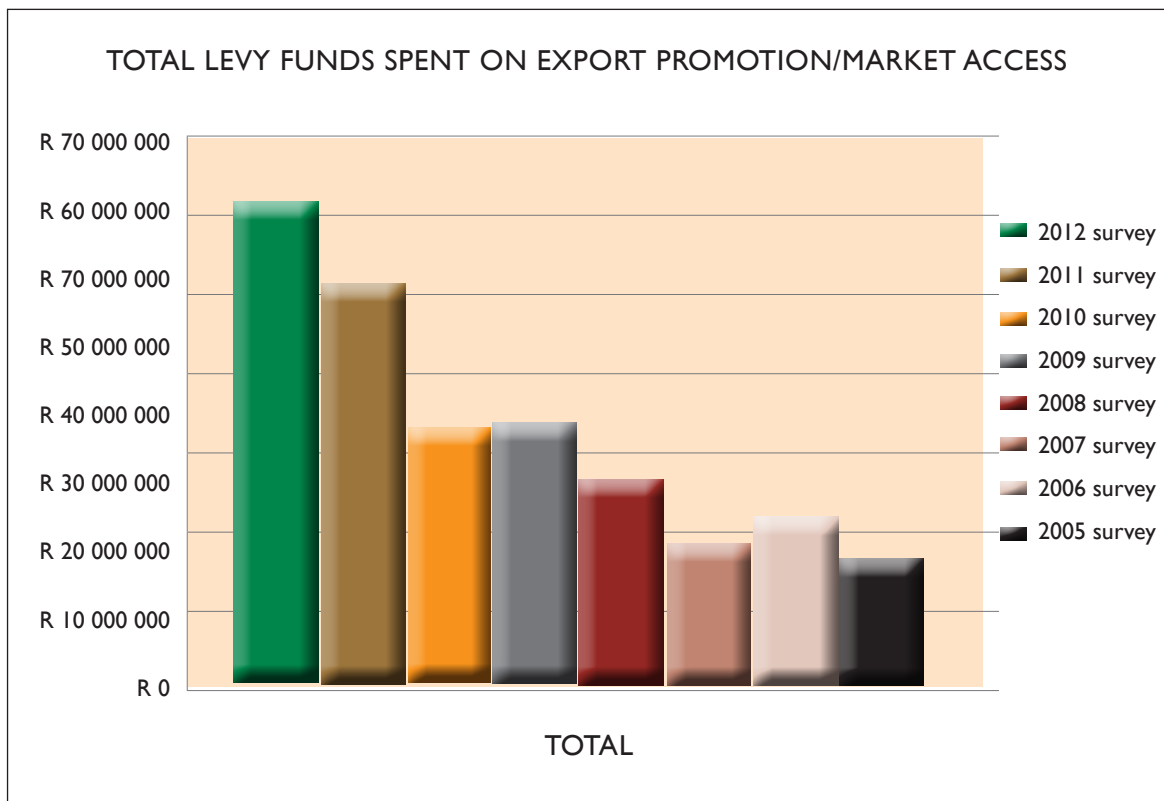
It was mainly the livestock industries, namely the dairy, pork, poultry and red meat industries, which embarked on consumer educations/local promotions to market their produce. The pork industry spent 50.6 % of its levy income on this function during 2012.

The decrease in expenditure on consumer educations/local promotions can mainly be attributed to a decreased expenditure on this function in the dairy, potato and poultry industries during 2012.

5.4.6 Export promotion and market access

The 2012 survey indicated that approximately 16.5 % (R61.3 million) of total levy income was allocated towards export promotion and market access compared to the approximately R50.9 million allocated during the 2011 survey. It was the horticultural industries, namely the citrus, deciduous fruit, fynbos, potato, table grape and wine industries, which spent a major part of their statutory funds on export promotion activities. This includes the specific market development levy in the deciduous fruit industry of which 73 % was spent in 2012. The wine industry spent 46 % of levy income on this function in 2012. The following graph shows the expenditure towards export promotion for the past eight years.

GRAPH 8: LEVY FUNDS SPENT ON EXPORT PROMOTION/MARKET ACCESS

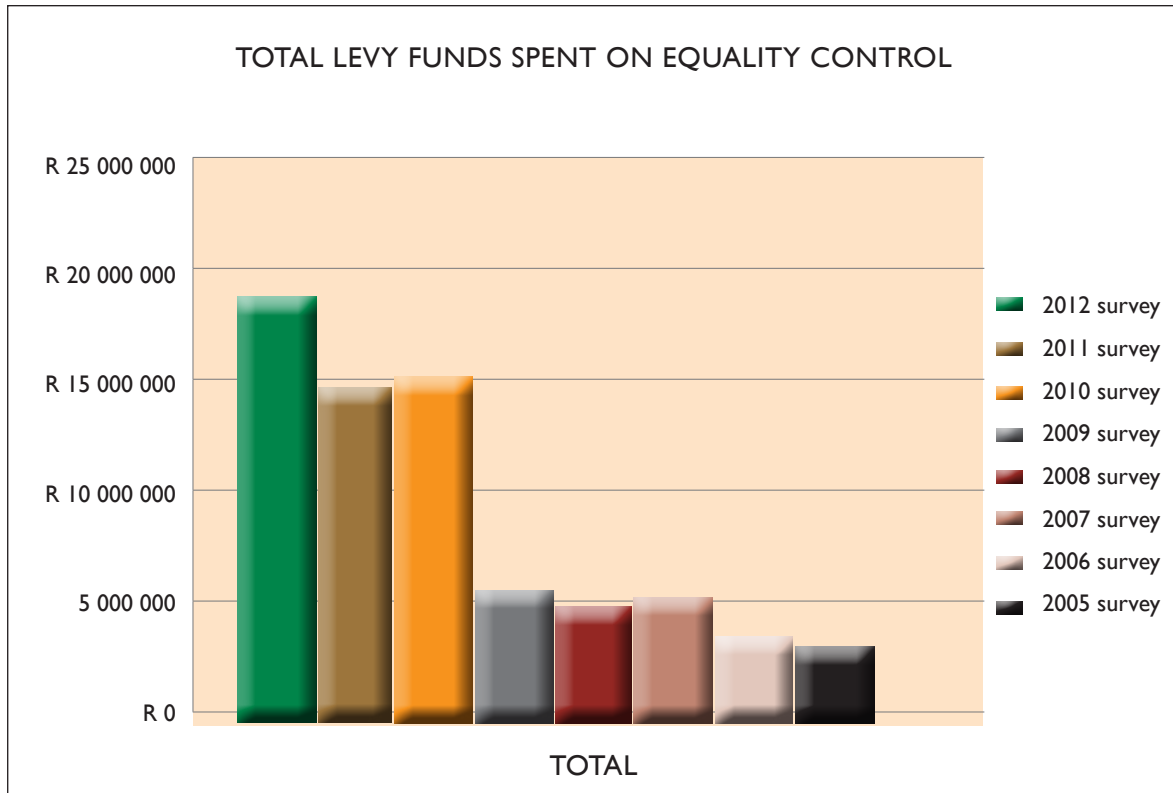


In recent years, role players involved in the horticultural industries were convinced that expenditure towards export promotion activities offers a satisfactory return on investment and also assist them to sell their produce at higher prices on overseas markets.

5.4.7 Quality control

The function of quality control is mainly undertaken by the cotton, dairy, deciduous fruit, lucerne, 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 R19.3 million (5.2 % of total levy income) was spent on quality control, compared to R15.2 million spent in 2011.

GRAPH 9: LEVY FUNDS SPENT ON QUALITY CONTROL

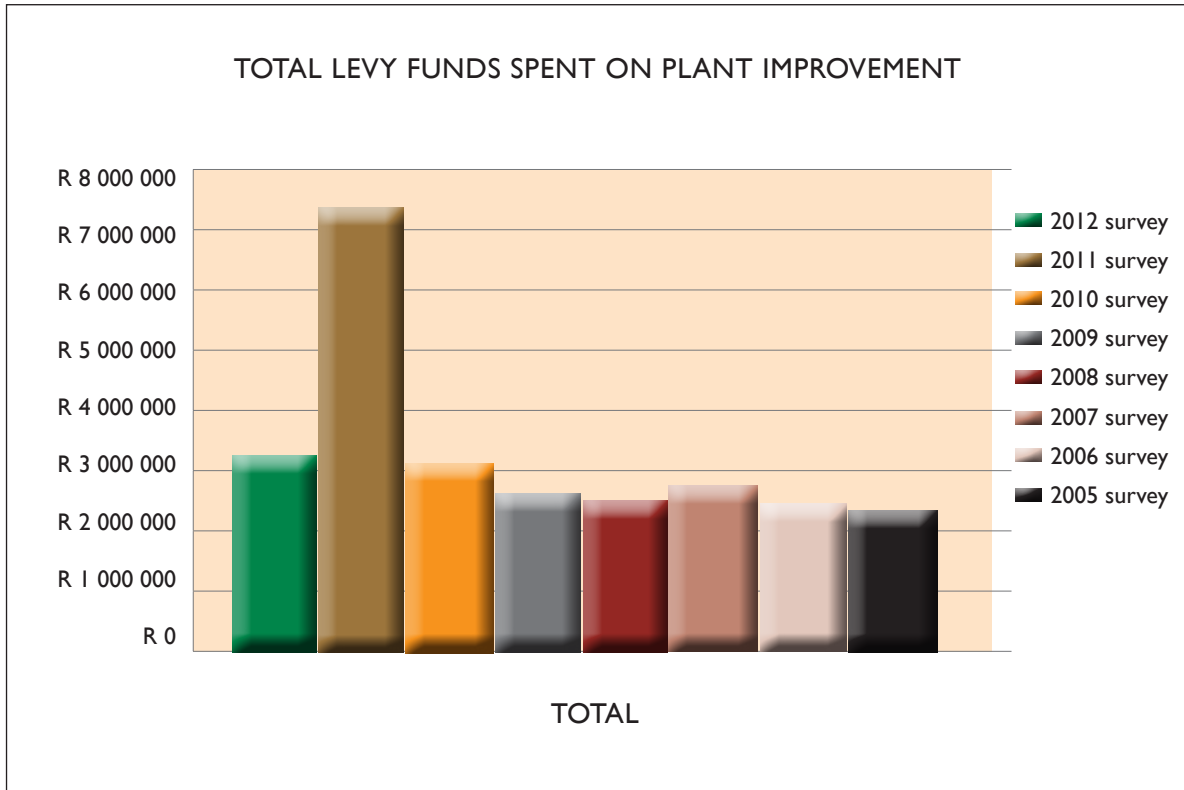


While the cotton industry spent 39.5 % of its levy income on quality control, the pork and poultry industries doubled their expenditure on quality control from the previous year.

5.4.8 Plant improvement

The deciduous fruit and dried fruit industries spent approximately R3.2 million (1 % of total levy income) on plant improvement compared to the approximately R7.4 million that was spent the previous year.

GRAPH 10: LEVY FUNDS SPENT ON PLANT IMPROVEMENT

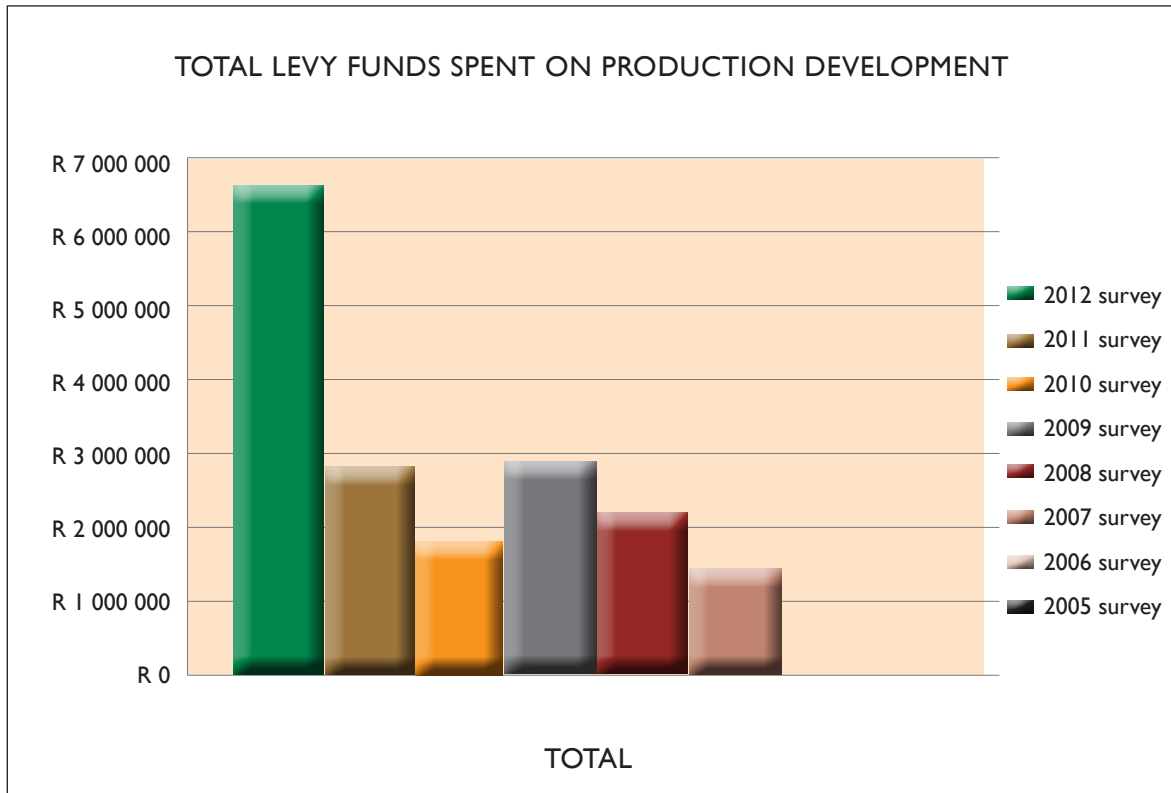


The deciduous fruit industry spent only a third of what was spent in 2011 on plant improvement, therefore the drastic decrease in the total expenditure on plant improvement from 2011 to 2012.

5.4.9 Production development

The red meat, dairy and deciduous fruit industries allocated funds to production development, and spent a total of R6.6 million (1.8 % of total levy income) on this function, compared to the R2.7 million that was spent in 2011 by only the red meat industry.

GRAPH 11: LEVY FUNDS SPENT ON PRODUCTION DEVELOPMENT



The increase in the levy funds spent on production development as shown in the graph above, is specifically the effect of the fruit fly levy income and allocation of R3.8 million towards this function, captured for the first time in this survey of 2012.

6. TRANSFORMATION

6.1 Statutory funds available for transformation projects

Table 6 below indicates how levy administrators complied with the NAMC's guideline that approximately 20 % of statutory levies collected within an agricultural industry should be used for transformation projects. In total, 22.5 % of total levy income was spent on transformation in 2012.

TABLE 6: TRANSFORMATION EXPENDITURE AS PERCENTAGE OF LEVY INCOME

Industry	Levy income R	Transformation expenditure R	Transformation as % of levy income	Total expenditure R
Citrus	42 216 161	8 068 831	19.11	44 506 873
Cotton	4 301 824	620 422	14.42	5 956 535
Dairy	33 049 860	4 568 587	13.82	24 993 206
Deciduous fruit	34 770 043	7 649 409	22.0	34 770 043
Dried fruit	2 439 865	1 067 351	43.75	4 739 228
Fynbos	33 2502	0	0	250 000
Lucerne	981 934	32 907	3.35	671 875
Mangoes	1 402 074	167 400	11.94	1 142 545
Olives	190 662	0	0	0
Pecans	1 165 000	0	0	0
Pork	17 365 607	7 990 173	46.01	21 037 008
Potatoes	30 656 649	5 461 337	17.81	25 897 304
Poultry	26 939 374	6 170 592	22.91	30 498 687
Red meat	25 026 348	6 679 912	26.69	25 627 862
Sorghum	2 072 332	282 676	13.64	1 788 082
Table grapes	19 220 068	5 533 378	28.79	20 938 627
Wine	61 748 389	19045328	30.84	61 645 151
Winter cereals	47 947 145	10 357 529	21.6	52 302 410
Total 2012	371 975 453	83 695 832	22.5	372 538 907

As can be seen in the above table, the cotton, dairy, lucerne, mangoes, potatoes, and sorghum industries did not meet the condition that 20 % be spent on transformation. These percentages should however be compared to previous financial years to view the trends of expenditure over the specific terms (usually four years) of levy approval.

The cotton industry, for example, spent 64 % and 68 % of cotton levy income on transformation in the 2010 and 2011 surveys respectively. Certain initiatives during the 2012 term had to be terminated due to lack of government support to small-holder projects. Over the levy period of four years that lapsed on 31 March 2012, the cotton industry did spend as much as possible on transformation, an average of well above the 20 % guideline.

Milk SA mentioned that they aim to spend 20 % over the four-year levy period that ends in 2013. However, so far 25.8 % and 14.5 % of the dairy levy income was spent on transformation in 2010 and 2011. The current percentage of 13.8 % is far too low and a serious attempt is necessary to speed up transformation in the dairy industry.

The lucerne levy has only been implemented in 2011 for the first time, and therefore the very low percentage expenditure on transformation so far. The lucerne industry needs assistance to get transformation projects implemented.

Although the mango industry is also a very new entrant to the statutory levy arena, this industry spent 29.8 % of levy income on transformation in their first year of implementation, as reported in the 2011 survey. The latest expenditure on transformation of 11.9 % of levy income can therefore be accepted.

The potatoes industry spent only 17.8 % of levy income on transformation, compared to 21.4 % in 2011. Potatoes SA has many initiatives and a very good transformation strategy, and the next review will have a better report on transformation successes. For instance, Potatoes SA has hosted its Transformation Symposium and Expo in partnership with the KwaZulu-Natal Department of Agriculture and Environmental Affairs at the Cedara Agricultural College in KwaZulu-Natal on 9 May 2013. The presentations made at the Symposium addressed the theme, Mainstreaming Smallholder Potato Producers: Breaking the Barriers, went extremely well and also led to lively participation by the smallholder and subsistence farmers in attendance. Presentations were made by two smallholder farmers:

- Ms Noleen Lottering of Lusikisiki who successfully made the transfer from subsistence farmer to enterprise development farmer; and
- Mr Siseko Vikilahle, another of enterprise development farmer who addressed the subject of “What barriers needs to be broken?” to ensure that these farmers are afforded the opportunity to develop into commercial farmers.

The Sorghum Trust reported that the full provision for transformation was not yet paid at the end of the financial year and transformation projects are limited.

6.2 Transformation in the various industries

Industries' levy administrators were requested to provide information on how transformation projects were identified and decided on, whether these projects were effective, details on projects funded by levy income, and challenges faced in achieving transformation. These aspects are summarised in the following section, for each industry:

6.2.1 Citrus

The Citrus Growers Association (CGA) spent 19.1 % of statutory levy income (R8 068 831 compared to R6 797 144 in 2011) on transformation projects in the 2012 survey. This total levy income amount includes the grapefruit statutory levy income of R5.7 million earmarked for export promotion only, that was approved without the condition that 20 % of this income be used for transformation projects. It was argued that export promotion will benefit all role players in the grapefruit value chain.

Transformation projects are jointly determined by the Citrus Growers' Development Chamber, extension personnel and the transformation manager. In some provinces where support from provincial structures exists, transformation is implemented; in



other provinces where support is not forthcoming, results are not as good. Production on most black owned entities showed an improvement in 2011, and this also resulted in more cartons being exported. This is as a result of the dedicated input from the extension personnel and the transformation manager.

The Citrus Growers' Development Chamber has developed to a point where relevant issues are being addressed and robust debate entered into. They have also engaged with national and provincial government to address black grower issues.

In 2011/12 sixty-six students received bursaries through the Citrus Academy – with a value of R1.5 million. The following transformation projects are being funded by the statutory levy under review:

TABLE 7: TRANSFORMATION PROJECTS FUNDED IN THE CITRUS INDUSTRY

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Human Capacity Development: Citrus Academy	To address low skills levels, employment equity, scarce and critical skills and land transition	Bursary Fund – 66 students (R1 512 775) Holiday work programme – 10 students Industry exposure programme – 7 students Internships – 3 students Workplace Experience – 3 students	1 792 000
Grower Development	Assist new growers with market access, research, representation, administration, information, logistics, and market development	400 emerging citrus growers and community beneficiaries	2 734 361
Extension Services	Transfer technology to new growers	400 emerging citrus growers and community beneficiaries	999 119
Grower Development	Address specific grower issues, e.g. Land reform, access to funding, training	400 emerging citrus growers and community beneficiaries	835 064
Mentorship	Coach new growers		1 140 136
LEMONEX	BEE project development in Badplaas region		4 248
Fruits of Success	Publicise transformation efforts in citrus industry		271 847
Citrus Growers' Development Chamber	Provide a voice for the black citrus growers	17 members of chamber and their constituencies	292 056
TOTAL			8 068 831

The citrus industry faces the following challenges with regard to transformation programmes:

- Mentorship – Still a challenge to get provincial government buy in to commodity approach to mentorship.
- Grower development – Costs of farming citrus have increased considerably, in some cases making the farming of citrus unprofitable. Growers with high debt levels and subsequent high interest bills are particularly worse off.
- Extension – Although Limpopo government has a good working relationship with CGA, other provinces have failed to take up the offer of working together (despite repeated visits and proposals).
- Transport – Many farmers find it difficult to attend industry field days, workshops and meetings as they do not have transport.

6.2.2 Cotton

The cotton industry spent only 14.4 % of statutory levy income (R620 422 compared to R1 087 072 in 2011) on transformation projects in the 2012 survey. The training of small-holder farmers is the cotton industry's core transformation initiative. One of the major constraints impeding growth in the emerging cotton farming sector is the lack of knowledge and expertise among small-holder farmers relating to cotton growing. Cotton requires a good deal more management input and specialist skills than most other field crops traditionally grown by smallholders. It is in this area that Cotton SA decided to step in a few years ago by establishing a formal training programme for small-holder cotton farmers. One of the main objectives of the National Cotton Strategy Plan, developed by Cotton SA and other role-players, is to raise productivity by the training of small-holder cotton growers.

Despite the training of close to 1000 small-holder farmers over the past 10 years, cotton production by these farmers has not really taken off as envisaged due to the challenges as set out later under this item.

Since one of the objectives of Cotton SA is the facilitation of the development of resource poor farmers, most budget items include indirect cost towards the development of small farmers.



The following transformation projects are being funded by the statutory levy under review:

TABLE 8: TRANSFORMATION PROJECTS FUNDED IN THE COTTON INDUSTRY

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Directors' expenses:	The small-holder cotton farmers are represented on Cotton SA and relevant sub-committees of Cotton SA. One such sub-committee is the Small Holder Farmers' Forum with main objective to increase market access for the small-scale cotton farmer		37 678
The small farmer representative	The small farmer representative on the Board also played an important facilitating role with regard to the Makhathini development programme and the rescuing of the Makhathini cotton gin for small-scale farmers		108 544
Promotion and development	The following handbooks/booklets were made available to farmers who attended the training programme: An illustrated Cotton Training Manual, Weed Classification Guide, and Scouting Guide for Pests on Cotton.		60 000
Small-Scale Farmer Training	<p>Cotton SA is an AgriSeta-accredited training institution. The training of small-holder farmers takes place in collaboration with local government and the agricultural colleges in the small-scale farmer cotton production regions. This formal skills development programme (which involves a certain number of unit standards at NQF level 1) is organised in four 5 day modules, each of which are synchronised with the normal production cycle of the crop and presented over a 12 month period.</p> <p>The main elements of the training courses are the following:</p> <ul style="list-style-type: none"> • Introduction, soil preparation and planting • Plant protection, pests, diseases and weeds • Pre-harvest crop preparation, harvesting and grading • Financial management 	During the report year, 47 small-holder farmers from Mpumalanga enrolled for training. Up to the end of 2012, 980 small-holder farmers had attended these courses (359 from KwaZulu-Natal, 213 from the Limpopo Province, 340 from Mpumalanga, 37 from the Eastern Cape and 31 from the North West Province)	85 382
Mentorship Programme	This project is aimed to provide an initial number of mentors who can support and impart knowledge and practical skills to small-holder farmers, in order for the latter to produce cotton in a sustainable and profitable manner. In the long term, the project will present the small-holder farmer with an opportunity to farm commercially, moving away from subsistence farming, by being supported by a skilled extension workforce who have access to information and technology and who can share their problems and experiences with other farmers		328 818
TOTAL			620 422

Due to initiatives by Cotton SA amongst others, the BEE cotton gin in the small-holder production area of Makhathini which have closed down four years ago and purchased by government, is expected to re-open in 2013. Funding to re-commission the gin has also been provided by government and an interim Board which will manage and control the gin has also been established. Government will retain ownership of the gin for the next 5 years after which ownership will be transferred to local small-holder cotton farmers.

Proper irrigation and other infrastructure for small-holder cotton farmers remain a huge problem. Access to funding in the absence of land ownership (collateral) makes it virtually impossible to obtain funding to establish a crop within time. Proper technical support by government remains one of the biggest shortcomings in agricultural today. Current extension staff neither have the knowledge nor the necessary experience/skill to assist cotton farmers. Cotton SA is of the opinion that capacity at provincial level to implement identified projects is lacking and therefore government is not performing up to the level of expectation that is created by the promises made. The majority of small-holder farmers who are occupying farm land are not committed to farming, and selection criteria to identify real farmers should be enforced by government to ensure the proper utilisation of productive farm land. The lack of commitment by government to finalise the Cotton Sector Strategy Plan and to assist with the implementation thereof is a further constraint.

6.2.3 Dairy

The 2012 survey reports that the dairy industry spent only 13.8 % (R4 568 587 compared to R7 563 490 in 2011) of statutory levy income on transformation projects.

The structures established by the Board of Directors of Milk SA, namely the Advisory Committee: Transformation, the Subcommittee: Skills Development, Primary Industry and Subcommittee: Skills Development, Secondary Industry advise the Board on activities and projects to be executed in respect of transformation / empowerment.

Since 2010, Milk SA attempted to conduct surveys amongst role-players in both primary and secondary industry sectors so as to determine the level of transformation in accordance with legislation. The response however, was extremely poor.



Milk SA funded the following transformation projects for the year under review:

TABLE 9: TRANSFORMATION PROJECTS FUNDED IN THE DAIRY INDUSTRY

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Empowerment in the primary industry sector: Training, technology transfer, skills development with mentorship of previously disadvantaged individuals in the primary livestock/dairy sector	<p>Transformation of previously disadvantaged individuals (farm workers and farmers) through training and technology transfer.</p> <p>Courses presented:</p> <ul style="list-style-type: none"> • Dairy Production (1 day and 5 day) • Socio-economic empowerment (5 day) • Artificial insemination (5 day) • Animal Husbandry / Care for farm animals (5 day) • Safety in the workplace (5 day) 	989 students	1 805 912
Empowerment in the primary industry sector: Mentoring of developing dairy farmers in the primary sector. (Project manager: Centre for Producer Development)	<p>The main objectives of the project are for the Elim farm to become a profitable unit and to supply milk to the Elim settlement at a reduced price. In order to achieve this, the following goals were set for 2012:</p> <ol style="list-style-type: none"> a. Expand the herd to at least 150 cows in milk. b. Establish more pastures. c. Facilitate cow-ownership to members of the community. d. Effect good herd health programmes. e. Implement effective financial controls. f. Practice effective communication with the community. <p>The following have been achieved:</p> <ol style="list-style-type: none"> a. More cows have calved and more cows have been added to the herd. There were 115 cows in milk at the end of December 2012 which is 23 more than in the previous year. b. No new pastures were established during the year. c. Herd health has remained good. d. Good financial controls. 	The dairy is owned by the community of Elim representing 450 households	183 996
Empowerment: Ubisi Mail	The main objective is to equip previously disadvantaged individuals in the primary industry sector with basic knowledge in respect of all aspects to run or manage a successful dairy farm.	Some 10 000 dairy farm workers and some 74 emerging dairy farmers.	138 120
Empowerment in the secondary industry sector	<p>Empowerment of previously disadvantaged individuals in the secondary dairy industry sector through skills development.</p> <p>Goal 1: Curriculum pilot study for dairyman qualification to be registered with quality council for trades and occupations (QCTO)</p> <p>Outcomes:</p> <ul style="list-style-type: none"> • Conducted four remaining theory workshops. 	±25 000 workers in the secondary industry sector.	2 196 350

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
	<ul style="list-style-type: none"> • Guided all theory, practical and workplace experience assessments and recording for internal Statements of Results by moderation and on-site visits. • Developed learner administration system in alignment with QCTO guidelines, with Portfolios of Evidence. • Developed written policies and procedures for implementation. • Designed and developed final Theory Finishing manuals. • Developed final theory knowledge questionnaires and model answer sets for final assessment. • Developed final integrated assessment guidelines and tools for practical assessment. • Prepared final report for QCTO on pilot study. • Obtained certificates for all successful participants. <p>Goal 2: Promotion of workplace training in industry Outcomes:</p> <ul style="list-style-type: none"> • SAMPRO continued with QCTO involvement through Dairyman curriculum. • Marketing of skills development through newsletter, reports to meetings, participation in SASDT symposium, etc. • 36 recruited (by industry participants) black matriculants supported with training fee (partial) and learning materials. • Attended primary and secondary industry advisory sub-committees as invited/ tasked, as well as SAMPRO Technical committee. • Conducted on average 40 enquiries directly related to skills development per month by e-mail or telephonic discussion. <p>Goal 3: Promotion of tertiary education in dairy-related disciplines</p> <ul style="list-style-type: none"> • 4x under-graduate plus 4x post-graduate bursaries administrated as planned. 		
Milk SA	Coordination of transformation projects		244 209
TOTAL			4 568 587

The dairy industry reported that challenges are numerous with regard to transformation in its various facets and include:

- Infrastructure
- Scale economics
- Market access
- Access to funds and other resources
- Knowledge and skills transfer
- Commitment and capacity of authorities and other partners
- Creating and managing sustainable models.

6.2.4 Deciduous fruit

The deciduous fruit industry has three different statutory levies: firstly the so-called “traditional statutory levies” where a major portion of levy income is spent on research activities with an income of R34 770 043, secondly the “export market development campaign levy for stone and pome fruit” with an income of R16 308 272 and thirdly the “fruit fly control levy in specific production regions” with an income of R3 841 344. The last two statutory levies are specific levies promulgated for a specific purpose, and are not subjected to the NAMC’s transformation guideline, and therefore no specific transformation expenditure has to be reported for these levies. If these two amounts (R16 988 590 and R3 113 725) are deducted from the total levy income from deciduous fruit, 22.0 % or R7 649 409 of the “traditional” levy income was spent on transformation projects in the deciduous fruit industry. This compares to R7.7 million spent on transformation in 2011.

Transformation projects focused on economic development and land reform programmes and socio-economic development. Emerging growers, farm worker development, farm worker children and rural development are the key drivers in determining the needs and implementation of transformation projects.



Jan le Fleur was awarded the New Entrant into the deciduous fruit industry last year.



Theo Erasmus is the 2012 Deciduous Fruit Industry Award for farm workers in a management position.

The results and feedback from independent sources suggest that the various socio-economic and community development programmes are hugely successful and are making a substantial difference in the livelihoods of beneficiaries. Economic development and land reform support projects are long term but contribute directly to job creation and increased income of emerging producers. These projects have a success rate of 95 % (380 hectares out of 400, to date). The learning experience from those few that have failed has been taken into consideration in the development and implementation of new projects and will further enhance this exceptional success rate.

The following specific transformation projects were funded by the deciduous fruit industry in the year under review:

TABLE 10: TRANSFORMATION PROJECTS FUNDED IN THE DECIDUOUS FRUIT INDUSTRY

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
Land reform and tree planting project	<ul style="list-style-type: none"> • To establish 107 ha of deciduous fruit – actual plantings were 98 ha • To increase production footprint of PDI farmers significantly • To help small scale farmers reach commercial status • Integrate small scale and PDI farmers into commercial structures • Provision of technical assistance and support • The establishment and maintenance of sustainable land reform models • Conduct feasibility studies • Evaluation of business plans for new and existing projects • Source additional funding for land reform projects • Financial assistance as required from NAMC to give PDI farmers exposure to markets • Continued support to DFDC in terms of coordination and implementations of initiatives 	150	3 947 260
Bursaries	Focussed bursary scheme to enhance and increase skills and competencies in areas lacking such expertise	20	353 000
Internships	To give students the opportunity to work within the sector and obtain valuable experience, To integrate post-graduate students into the agricultural sector with employment opportunities	2	29 228

Project Title	Objective and Outcome	Number of Beneficiaries	Amount Spent R
School tours	To introduce high school students to agricultural careers and to inform them about the industry		45 559
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 and empower these individuals in their family life and work environment • To empower health workers with knowledge and training regarding TB/ HIV/Aids, wellness and substance abuse • Continued farm worker development 	242	557111
Technical training DVDs	A new website that shows films featuring deciduous farming has been launched: www.saorchard.co.za The DVDs are designed to provide specialist information to new and existing deciduous fruit farmers and farm workers. There are 26 films planned for the first year covering a wide spectrum of deciduous fruit farming activities. This site contains films covering irrigation, harvesting and controlling insets.		250 000
Economic development programmes	Support to organise and accredit practices and to give farm workers the necessary training		51 843
Fruit Workers Development Trust (FWDT)	Qualifying black enterprise that carries on an investment business for the benefit of its beneficiaries		500 000
Plum local market development campaign	<ul style="list-style-type: none"> • Education and training of informal traders through visiting informal traders in Johannesburg and Tshwane townships. • Target young women and men between ages 18 and 25 to stimulate demand for fresh fruit that would drive sales. • Focusing on marketing of plums, sharing information on handling and storage of plums as well as on food safety. • Competition for informal trader of the year. 		376 269
Research and information	All PDI farmers benefit from research and information services. These benefits are however communicated widely to give all equal opportunities to these benefits.		1 539 139
TOTAL			7 649 409

Partnerships with other institutions have proven to be very successful in pooling resources to leverage better results with a more inclusive support package to projects. Social programmes, specifically the TB/HIV/Aids programme reached 58 519 people, of which 31 214 did voluntary testing. The wellness programmes on the other hand reached 53 523 people and 247 support care workers were successfully trained.

The main challenges remain sourcing enough financial support for a comprehensive support package and lack of managerial skills that include production and financial record keeping which is crucial in business development and strategic planning.

As mentioned, the “fruit fly control levy in specific production regions” is one of the specific levies promulgated for a specific purpose, and not subjected to the NAMC’s transformation guideline. However, a project called the “Schools Awareness Programme on integrated fruit fly management” is funded and intended to help address the problem of a shortage of youngsters selecting the agricultural sector as a career. It is a creative initiative to make learners more aware of opportunities in agriculture and especially in integrated pest management – a field that does not enjoy much publicity.

6.2.5 Dried fruit

The 2012 survey reveals that the dried fruit industry spent 43.75 % (R1 067 351 compared to R875 694 in 2011) of statutory levy income on transformation projects.



Walter Williams and his son Angus – The family grows five types of fruit: peaches (fresh and for drying), nectarines, plums, apples and pears. Walter serves on the board of the South African Plant Improvement Organisation (SAPO) and keeps up to date with the latest developments in new fruit cultivars. He uses this knowledge to his advantage and has planted several of the newer and more sought after varieties for which he can earn a premium, especially in the export market.

Emerging growers are represented on the Advisory Committees of the industry and their demands from these discussions are included in the budgets on a priority basis. Where their demands could not be met from own budgets other sources of funding are identified in the aim to supply in the development need as far as possible. Demonstration plots are used to help emerging farmers through the whole process of production and these often point out limitations which are then addressed in projects.

Transformation was very effective in the dried fruit industry, as four land reform projects have been started in which new farmers will benefit from obtaining land and have the prospect of a dividend already in year two. Training projects to the value of more than R500 000 helped to affect this fast growth.

The following table summarises the transformation projects funded in the dried fruit industry:

TABLE 11: TRANSFORMATION PROJECTS FUNDED IN THE DRIED FRUIT INDUSTRY

Project title	Objective and outcome	Number of beneficiaries	Amount spent R
Planting project	<ul style="list-style-type: none"> To increase production footprint of PDI farmers significantly To help small scale farmers reach commercial status Integrate small scale and PDI farmers into commercial structures Technical assistance and support 	2 800	212 814
Bursaries	Focused bursary scheme to enhance and increase skills and competencies in areas lacking such expertise	1	30 000
PDC Project	Training manuals for Dried Fruit		50 000
School tours	To introduce high school students to agricultural careers and to inform them about our industry.		9 500
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 		93 000
	<ul style="list-style-type: none"> To empower health workers with knowledge and training regarding TB/ HIV/Aids. Continued farm worker development 		
Economic development programmes	Support to organise and accredit practices and to give workers the necessary training.		40 000
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 Continued support to smallholder farmers in terms of coordination and implementation of initiatives 		70 000
Technical Advisor	Mentorship & Technical advisory to small scale farmers		269 617
General advisory	To maintain/Manage the Transformation portfolio		292 420
TOTAL			1 067 351

All PDI farmers benefit from research and information services, whilst only specific individuals benefit from bursaries and training. These benefits are however communicated widely to give all equal opportunities to these benefits.

The dried fruit industry experiences the same challenges as reported by the deciduous fruit industry with regard to transformation.

6.2.6 Fynbos: proteas

As the year under review was the first year of levy income, a workshop was held to determine the needs and priorities with regard to transformation in the Fynbos industry. No levy funds have yet been spent on transformation and the 20 % of levy income will be spent on transformation over the four-year levy cycle.

6.2.7 Lucerne

There were no transformation projects funded in the year under review. Projects are planned for the next year, namely a Red Meat Programme in the Eastern Cape, where lucerne seed will be donated to assist with the monitoring of Lucerne hay production in the Eastern Cape. Lucerne will be planted at Fort Cox College and Qamata irrigation scheme in the former Transkei for feeding purposes.

Another project planned is the Lucerne Hay Production Project in Taung North West, where the NLT will become involved in conjunction with BKB Grainco to plant 400 hectares under pivot irrigation for the production of lucerne hay.

6.2.8 Mangoes

The mango industry spent 11.9 % (R167 400 compared to R326 000 or 29.8 % of levy income in 2011) of the 2012 statutory levy income on transformation projects.

Transformation projects are discussed at various subcommittees, and recommended to the SA Mango Growers Association (SAMGA) board for approval. A final decision to approve or decline a project is then taken at the board meetings.

Subtrop's 2012 census figures indicate that 47.43 % of the 7003 hectare commercial industry lies in the hands of emerging and small farmers, thus making it one of the most transformed fruit industries within South Africa.

The following projects were conducted during the year under review:

TABLE 12: TRANSFORMATION PROJECTS FUNDED IN THE MANGO INDUSTRY

Project title	Area	Objective and outcome	Number of beneficiaries	Amount Spent R
Blossom malformation day	Tzaneen	Day aimed at education small and emerging farmers on how to effectively control and manage blossom malformation in their Mango orchards	33	18 000
Blossom malformation day	Vhembe	Same objective as above	51	18 000
Blossom malformation day	Hoedspruit	Same objective as above	7	18 000
Blossom malformation research and booklet		Research with a resulting booklet that gives practical information on how the problem can be managed within the orchard		54 000
Emerging Farmer support Extensionist	Limpopo & Mpumalanga	Subtrop the managing association of SAMGA has employed an extensionist with the sole objective of assisting emerging farmers in their farming enterprises. The Extensionist takes care to cover as many aspects as possible, concerning their pre and post-harvest production issues concerning mangoes, thereby assisting these farmers to produce their crops profitably. Fields services rendered by the extensionist include: Pest and disease spraying programmes, Scouting programmes, Irrigation programmes etc.		59 400
Total				167 400

Less than the required 20 % has been spent on transformation projects: this has largely been due to the cumbersome process of identifying worthwhile projects that the industry feels will add actual benefit to industry transformation and transformation beneficiaries within the industry.

The following action has been taken by the industry:

- In 2012 SAMGA established a processors' forum with the aim to identify and action projects within the scope of the statutory requirement as set out in the statutory decree
- Numerous research and market development projects with the specific aim of benefiting transformation role-players within the mango industry have been identified since the inception of the committee and we are convinced that within the current approved term of the statutory measure that we will be able to execute these projects and that the adequate amount of funds will be spent on transformation as decreed

- Projects that will come into effect in the 2013 and 2014 included market development projects specifically aimed at expansion in the informal sector and research and farming tools specifically aimed at assisting growers within the transformation sector.



Initially the biggest challenge faced by the mango industry was identifying projects that would allow them to add actual tangible value to growers within the transformation sector. With the establishment of the SAMGA processors forum, this problem was eliminated.

Currently, the biggest challenge lies in effective communication with the emerging sector of the Mango industry. It is cumbersome to create effective channels of communication with this sector of the industry due to the demographics of this segment. Most of the growers within this segment do not have access to all the channels of communication that is utilised by SAMGA, such as email or fax services. Plans to fully utilise cell phone SMS messages and Government Extension officers as channels of communication in areas where there are high numbers of emerging farmers are being implemented.

6.2.9 Olives

SA Olive acknowledges the importance of transformation in the industry, and transformation projects are managed by the Project Leader: Mentorship programme. Currently, transformation projects are assisted by means of a Mentorship programme which is funded by the Western Cape Department of Agriculture. The aim is to ensure that the programme is rolled out on a national level, when funds could be secured. No transformation projects were funded from levy income during the year under review, as limited funding resulted that no commitments could be made.

6.2.10 Pecans

The reporting year was the first year of levy collection within the four-year cycle. The transformation budget is still in the process of being finalised and approved by all the members of the SA Pecan Producers' Association (SAPPA). The first year's income will be spent in the second year.

6.2.11 Pork

An amount of R7.9 million (46.01 % of levy income) was spent on transformation projects in the pork industry, compared to R3 million or 18 % of levy income in 2011.

The SA Pork Producers' Organisation (SAPPO) appointed a Portfolio Committee to decide on transformation projects. Recommendations by this Committee are considered by the SAPPO Board. High feed prices and low producer prices affected the success of transformation projects.



Limpopo pig farmer David Motshwene (63) took a 10-year journey toward building a successful piggery from scratch.

The following table summarised the pork transformation projects funded with statutory levies:

TABLE 13: TRANSFORMATION PROJECTS FUNDED IN THE PORK INDUSTRY

Project title	Objective and outcome	Number of beneficiaries	Amount Spent R
Training Institute	Erection of a training facility in Pietermaritzburg where developing pig farmers are intensively trained. The courses are theoretical as well as practical and students are accommodated in a hostel.	700 students	5 500 000
Training courses: Western Cape, North West, Limpopo, Free State	Capacity building to assist developing pig farmers to become commercial operations.	135	49 758
Training of Extension Officers: Limpopo, KZN, Western Cape, Free State	Training animal health technicians and extension officers on pig farming. The objective is to transfer the necessary skills to these officials to enable them to assist developing pig farmers.	80	83 025
Mentoring: Limpopo, North West, KZN, Western Cape, Free State	Transferring of skills to developing pig farmers. Mentors develop the managerial skills. These skills are needed to become commercial pig farmers and to operate viable units.	56	1 142 342
Farmers days and Study groups: KZN, North West, Limpopo, Free State	The establishment of study groups for developing pig farmers. The aim is to assist pig farmers to improve their operations.	78	14 737
Remuneration of transformation manager, travelling cost and committee expenses in all provinces	SAPPO appointed a full time transformation manager and personal assistant to assist developing pig farmers and new entrants. The Portfolio Committee responsible for managing this portfolio meets 8 times a year and members have to travel to Pretoria.	All the developing pig farmers	608 800
Office rental, transport and telephone cost	Office of Transformation Manager.	All the developing pig farmers	117 146
Carcass Competition 9 Provinces	To encourage developing pork producers to improve the carcass quality produced. The winning carcasses compared well with those entered by commercial farmers in the National Carcass Competition.		75 965
Visits by pig veterinarians	All developing units to be visited by pig veterinarians on a regular basis.		160 000
Eradication of African Swine Fever in Gauteng and Mpumalanga	To assist developing pig farmers whose units were infected with Africa Swine Fever. Campaign was successful and disease eradicated.	62	238 400
Total			7 990 173

A challenge faced by the pork industry includes the fact that Provincial Departments of Agriculture and municipalities do not consult with SAPPO before building new projects. This result in uneconomical units that are not viable being built in remote rural areas far from feeding plants and abattoirs. The cost of balanced pig feed is high and is directly influenced with increases in maize prices. Environmental legislation is also ignored when provinces and municipalities embarked on pig projects. The number of beneficiaries allocated to projects is too big and projects cannot support all the beneficiaries. The pork industry is under huge pressure which is threatening the sustainability of many commercial and developing pig farmers. New entrants to the market have little or no reserves when difficult times occur.

Anna Phosa with her pigs.
She started farming eight years ago.



6.2.12 Potatoes

The potato industry spent 17.8 % of levy income, or R5.4 million, on transformation during 2012, compared to 21 % of levy income or R5.2 million reported in 2011. Transformation projects were identified and implemented in the following manner:

Enterprise Development Programme: Farmers within the Enterprise Development Programme who meet the enterprise development criteria is identified through the regional managers in the different potato producing regions. A concise business plan is then received from these different farmers. This information is compiled and packaged and presented to the Transformation Committee which meets in May every year and where the budget for the Transformation Business Unit is approved. A recommendation is then made to the Board of Directors, which in turn submit the Transformation project and budget proposals to the Potato Industry Development Trust (PIDT) for final approval.

Small Grower Development Programme: This is the industry's food security programme where different communities are identified and they are given the information on how to plant potatoes for consumption purposes. Potatoes SA (PSA) works closely with the Department of Agriculture in the different provinces as they are also involved in community gardens. They assist PSA in identifying communities that can benefit from the programme. Information gathered is also then presented to the Transformation Committee which makes a recommendation to the Board of Directors and finally to the trustees.

Tertiary Skills Development Pipeline (Bursaries and Internships): Advertisements are sent to the different institutions across the country to advertise bursaries. Short listing takes place internally and a PIDT: Bursary Committee meets in January every year to look at the applications received as well as the recommendations made by the Transformation Manager and depending on the budget, a number of academically excelling students are granted bursaries. After completion of their studies, the industry grants them an opportunity to do an internship programme for which they are paid.

Farm-based training: Information on the type of training required is received from the different regions through PSA Regional officers and training is provided based on this information and the availability of funds as provided in the budget.

Transformation was effective in the sense that farmers that were identified for either the enterprise development or the small grower development programme are already considering expanding their ventures. Even though there were challenges such as a lack of machinery, the farmers realised that with commitment from their side and support from the industry, they will be able to succeed. The training that has taken place has also played an important role in ensuring the development of new farmers. The bursary programme's aim is to ensure that there is a pool of agriculturalists that will be able to serve their community. The potato industry is slowly achieving this goal and it is clear that there is now an increased interest in agricultural studies and the students are realising the need to go back to their own communities and assist in whatever form possible.



Transformation projects in the potato industry, funded for the year under review is summarised as follows:

TABLE 14: TRANSFORMATION PROJECTS FUNDED IN THE POTATO INDUSTRY

Project title	Objective and outcome	Number of beneficiaries	Amount Spent R
Enterprise Development Programme	<ul style="list-style-type: none"> To develop an economic programme that is aimed at sustainable potato production by small holder farmers in order to utilise available land and assist to the maximum benefit of an integrated production system. To develop small holder farmers to grow and produce commercially in a sustainable way. 	13	900 000
Small Growers Development Programme	<ul style="list-style-type: none"> To disseminate production and business information through trials. To give farmers practical training on good potato production practises. To utilise cultivar demonstration trials as a way of educating, training and disseminating important production information that is necessary for successful potato production. 	11 communities	57 849
Tertiary Skills Pipeline	<ul style="list-style-type: none"> To develop the technical capacity for the farming enterprise by offering bursaries to deserving students, to acquire technical education, to further enhance their skills through internships and workplace experience. 	21	545 147
Farm Base Training	<ul style="list-style-type: none"> To provide a limited number of short courses to the farming community. To identify and develop farm worker skills To ensure sustainability and good practice, and to work more effectively. 	480	323 687
Other expenses associated with transformation	<ul style="list-style-type: none"> Staff allocated, travel and accommodation, office rent, cell phones, communication, committee meetings, training and bursaries. 		3 634 654
Total			5 461 337

Challenges faced by the potato industry are the following:

- Lack of finance especially for the enterprise development farmers: At this stage, the industry is only supporting this group of farmers with the cost of seed. This means that they have to come up with the funds for the chemicals, labour, and fertilisers. This is a big challenge, especially for the farmers who have interest and commitment in farming and also have access to land but lack the capital.
- Access to machinery is also another challenge faced by some of our farmers. A lot of farmers are planting by hand and this takes long and also impacts on the costs in terms of labour. Few farmers have access to a washer, and have to sell unwashed potatoes at a lower price in the market.
- A lack of technical expertise is also another challenge that faces potato farmers. Potato SA is trying to facilitate as many as possible new farmers.

6.2.13 Poultry

During the first year of the poultry levy (2010 survey), the SA Poultry Association (SAPA) spent only 6.1 % of levy income on transformation and during the second year (2011 survey), only 13.8 % of levy income was spent on transformation. For this 2012 survey, 22.9 % of levy income, or R6.1 million, was spent on transformation.



The SAPA transformation focus is on creating more and better opportunities for black and smallholder producers, and specifically the following:

- Creating a brand that acts as a rally point for small holder farmers – being the DPFO – the Developing Poultry Farmers Organisation
- Assisting in the creation of regional networks / structures for such smallholder producers to build on and be involved in – including cluster groups / co-operatives, and access to abattoirs
- Assisting in creating access to finance
- Providing access to information/ training / mentorship / quality feed and other inputs / veterinary support
- Market access into commercial and central, provincial and municipal government markets.

The integration of small-holder farmers and the black commercial producers into the commercial value chains is of critical importance in order to establish and ensure sustainable value chains for them. Transformation projects were chosen to give effect to the above focus. The major transformation effort is that related to forming regional and national structures amongst poultry farmers, plus education interactions with farmers. More recently we have engaged in assisting with improving feed quality to small holder farmers.

During early 2012, effectiveness was hampered by lack of provincial and district structures; by the ineffective SAPA Developing Farmers Organisation (DPFO) Organisation Committee; and due to lack of SAPA own resources. During the latter half of the year these problems were mostly overcome. Transformation has become steadily more effective as more structures are implemented and more farmers are enrolled as DPFO members. There is a definite improvement in the small holder industry statistics.

Defining an egg smallholder farmer as an egg farmer having less than or equal to 62 500 layer birds (or producing less than or equal to 4 200 dozen eggs per day), according to SAPA estimates the small-holder egg producers represent in the order of 2 % of the total commercial industry.



Transformation in SAPA is effected through the SAPA DPFO, which –

- Is a division of SAPA, with equal rights to the other operating divisions of SAPA, concerned with the promotion and advancement of the developing or smallholder farmer sector of the SA poultry industry
- Is a membership-based organisation representing developing or smallholder poultry farmers across all nine provinces of RSA
- Is a commodity-based organisation.

The DPFO fulfils a dynamic capacity building and advocacy role, and exerts pressure to mobilise resources from various quarters, including Government and the donor community.

The DPFO / Transformation Objectives are to:

- Ensure that Industry Transformation is understood within the Management structures of SAPA and also that there is a common view amongst the other SAPA Operating Divisions
- Work towards ensuring that the established commercial poultry industry provides leadership and mentorship to developing farmers – making sure such farmers understand the difference between company transformation and industry transformation
- Promote access to finance for DPFO members
- Assist farmers in securing profitable production and supporting sustainability of projects
- Lobby for the establishment of resource centres in each region to ensure sustainable poultry and egg production in each area
- Train and develop developing / smallholder farmers in their communities in poultry meat and egg and allied industries including production, grading, packing, transportation, storage and marketing
- Organise seminars and courses to establish and enhance a learning culture amongst all poultry farmers
- Publish literature, journals, pamphlets and circulars dealing with all matters pertaining to the developing poultry sector
- Conduct and assist in practical and scientific investigative and research work
- Facilitate, lobby and communicate with national and provincial government agencies and the donor community highlighting the plight of all developing farmers in South Africa
- Lobby government to implement legislation and regulations that are beneficial to developing farmers and allied industries
- Negotiate discounts on inputs on behalf of members (feed and chicks and veterinary support especially).

The DPFO has 255 paid up members, but has some 2 000 farmers on the DPFO data base. There is clearly still work to be done to ensure all smallholder farmers are motivated to join the DPFO as members.

Some DPFO achievements during 2012 include the following:

- Introduced DPFO to farmers in all provinces, establishing that the DPFO is the organisation of worth for small holder farmers.
- Created provincial working committees and structures.
- Ensured the correct provincial representatives on the DPFO Committee.
- Created and expanded the database of developing poultry farmers.
- Established working relationships with DAFF / Department of Rural Development and Land Reform (DRDLR) / funding institutions / similar farmer and other commodity organisations / and other relevant organisations.
- Arranged various farmer meetings to gauge the needs of farmers and share DPFO activities and plans.
- Conducted training of DPFO regional representatives and Government support department personnel such as Extension Officers and State veterinarians.
- Educated various levels of Government departments about the poultry value chain and how to get the best out of it.
- Involved the SAPA Poultry Disease Management Agency (PDMA) in the affairs of the DPFO.
- Secured funds from the Gauteng Department of Agriculture & Rural Development to establish an abattoir in Tshwane North.
- Facilitate the establishment of abattoir Ramotshere Moiloa Local Municipality with the CSIR and the Department of Economic Development, Environment, Conservation and Tourism (DEDECT).
- Established a forum to facilitate research and development of indigenous chickens.
- Managed to capacitate the DPFO office by appointing an office administrator.
- Being seen as the primary representative of smallholder farmers by various stakeholders.
- Improved the perspective of smallholder farming within the broader SAPA structures.

With regard to other levy expenditure that benefits small holder farmers, some projects like generic egg marketing (there is clear indication that the promotional programme does help those developing farmers who supply feeding schemes, hospitals and the like) have been in progress for a number of years and is very successful, whilst other projects such as those related to the Universities support and research projects are not as advanced as preferred. The SAPA Poultry Disease Management Agency (PDMA) now operates as per an agreed and approved business plan and many of its outcomes directly benefit the developing farmer.

Statistical information published by SAPA benefits all producers and developing farmers can assess where they wish to participate and if there is room for them. Work done on stopping cheap meat imports from Brazil and the USA for example will definitely benefit developing farmers. The key challenge for transformation remains the integration of small, mostly previously disadvantaged producers into the poultry value chain as full participants. The DPFO considers contract growing a useful tool for companies to transform their supply chain, but does not consider this to be transformation of the industry itself.

The high levels of imports continue to limit the market space available for DPFO members, and Government needs to not only make poultry a designated product in terms of IPAP, but also establish systems that use the market space that this designation will give to the major benefit of DPFO producers.

Systems of access to competitively priced feed, day old chicks and other inputs are long overdue. There are also major problems with the quality of some of the inputs smallholder farmers are purchasing.

Transformation projects funded in 2012 are summarised as follows:

TABLE 15: TRANSFORMATION PROJECTS FUNDED IN THE POULTRY INDUSTRY

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
Consolidate DPFO Committee performance	The DPFO Committee must provide the leadership for the transformation projects. To ensure Committee attendance –travel and accommodation costs are funded by the levy, and cost of leadership training. Cell phones and cell phone time are also funded to ensure effective and timely communication. Travel and meeting costs in the Committee members' provinces.	10 at DPFO Committee level and some 100 or more committee members regionally.	2 038 103
Provide travel sponsorship to Members	Ensure members can get to and participate in important meetings in their provinces and including the annual SAPA AVI Africa Congress	Varies according to the event and frequency – around 300 or more	
DPFO Branding and related new entrant mentoring and training, and building provincial capacity	<p>To increase DPFO membership and ensure a unique identity and 'rally point' for the DPFO, a logo has been designed and agreed by the Board. Formal launch of the logo has been done at 6 provincial meetings during 2011 in conjunction with provincial agriculture officials, with completion of the last three provinces to be done Q1 and Q2 in 2012.</p> <p>A specific outcome is to provide regional leadership through the Brand and attract more developing farmers, who will believe that the DPFO is there to guide and assist them. So far this is working, but having created expectations, we now need to build activities related to these expectations. The work also includes setting up provincial work groups / cooperatives / task teams where such groups determine their own limitations and how they can be overcome with the help of SAPA.</p> <p>Work Groups have also been established in all provinces; under the leadership of the relevant DPFO Committee member for that province.</p>	255 at present signed up – with more to come out of the 2000 or so on the data base, collected during regional meetings and workshops	

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
DPFO Statistics gathering and reporting	This is reported quarterly, to create awareness of common industry concerns of developing farmers and to demonstrate market opportunities. The process is working well to date. General statistics of the whole industry are also available to the emerging farmers via the SAPA Poultry Bulletin.	All emerging farmers	278 847
Consumer education activities	Various activities that will be of benefit to developing farmers. The "Eggs are Magic" campaign specifically will help grow the market that DPFO egg producers can sell into.	Unknown exactly, but it is very many judging from attendance at regional meetings and gatherings	233 922
Share industry information and market research	Distribute monthly Poultry Bulletin to members – as part of general education around industry activities. Effectively includes market research.	~ 2000	47 184
Scientific Research	Activities related to disease prevention and understanding. Work done in conjunction with the University of Pretoria and others.	All developing farmers, DPFO members or not	55 404
Share of once off research facilities recapitalisation	Facilities specifically related to disease identification and management at the University of Pretoria OP Campus and at UKZN	All developing farmers. DPFO members or not	385 626
Share of SAPA Research Chair in Poultry Disease and Production	The Research Chair is employed by the U of Pretoria, but funded by SAPA for a period of 5 years. The Chair only started in August 2012.	All developing farmers, DPFO members or not.	91 908
Share in the establishment of the SAPA Poultry Disease Management Agency (PDMA)	Be an integral part of the outcomes of disease research for the benefit of emerging farmers. Spread of disease and lack of food safety may be more pronounced in rural areas. Since the PDMA Director had only been appointed with effect 1st March 2012, project work here has fallen behind	All developing farmers.	449 885
Share of IBV research	IBV affects all chickens; it is a financially corrosive disease.	All developing farmers, DPFO members or not	73 676
Share of Broiler Organisation Media Campaign	Campaign to support industry on specific product related issues.	All developing farmers, DPFO members or not.	33 000

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
Share of Industry Training	SAPA Training and Development Manager provides a training service to all industry participants	All developing farmers, DPFO members or not.	267 201
Customs monitoring	Contribute to the SAPA activities related to customs monitoring – as cheap imports have a severe and damaging effect on developing emerging farmers.	All developing farmers -whether DPFO members or not	63 489
Share of Forensic Investigations into illegal imports	Share of the work that relates to investigation into fraudulent imports, and arises out of the customs monitoring work.	All developing farmers, DPFO members or not.	103 656
Legal Trade Actions	To protect the SA poultry market	All developing farmers, DPFO members or not.	321 128
Levy collection costs	DPFO share of cost to collect and administer the Levy	All developing farmers, DPFO members or not.	83 942
Competition Commission investigation	Shared costs of the work done to satisfy the Competition Commissions investigation	All emerging farmers	44 435
SAPA allocated costs	Shared costs of SAPA office operating costs, and management input costs.	All emerging farmers	1 599 186
TOTAL			6 170 592

6.2.14 Red meat

An amount of R6.7 million (26.7 % of levy income) was spent on transformation projects in the red meat industry, compared to R6.7 million or 31.3 % of levy income in 2011.

Mokgatle Mokogane, a cattle farmer in Mookgophong, Limpopo



It was agreed by the Federation of Red Meat Producers that the National Emerging Red Meat Producers Organisation (NERPO), the organisation representing developing farmers would implement the transformation projects for primary producers in the red meat industry. Within NERPO, the projects were decided upon to try and address the major needs of emerging farmers, which they raise through meetings in their local structures.

At primary level, transformation is regarded a slow process for a number of reasons:

- Knowledge and skills for commercial farming are limited for smallholder farmers: Thus training and mentorship is most essential and is proving effective. With the funding allocated to this function, NERPO trained and mentored 368 farmers under a formal programme that was implemented in the Eastern Cape. This is a drop in the ocean in comparison to the needs in the sector.
- Land tenure security: Under the current dispensation, many smallholder farmers do not have the land tenure security that enables them to invest in the land and be progressive.
- Access to markets: Knowledge of market requirements and market information are shared with farmers in the training and mentorship programmes, on farmer information days and in NERPO News.
- Quality of livestock: Most smallholder farmers do not meet the market requirements because of poor nutrition, poor health management and in some instances inferior genetics. NERPO has intervened in this space through farmer training, information days and articles in NERPO News about appropriate nutrition, health management and breed selection.
- Economies of scale: One of the challenges to market access is economies of scale. NERPO is encouraging farmers to using collective approaches; i.e. study groups and ultimately cooperatives in order to increase their economies of scale in both the input and output markets.
- Capital investment: There is very limited development finance for the smallholder farmers. NERPO has intervened in this space by setting up credit facilities for the purchase of breeding stock as well as financing infrastructure and machinery.
- Efficiency & sustainability: This is limited as a result of all the weaknesses identified above.

The transformation funds have helped to assist a number of farmers to grow as commercially-oriented farmers. They have assisted NERPO to develop reliable interventions for addressing the needs of the smallholder livestock farmers, which need to be scaled up in order to make a greater impact.

Some of the provincial RPOs played a vital role in mentorship of emerging farmers as well as training of farm workers. A positive that can be mentioned is that R500 000 additional funding was sourced from SETA and leveraged additionally for farm worker training.

Transformation projects funded in 2012 are summarised as follows:

TABLE 16: TRANSFORMATION PROJECTS FUNDED IN THE RED MEAT INDUSTRY

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
SAMIC	SAMIC is a quality assurance company and 3 BEE appointments comprising the transformation process to ensure quality and safety of meat in South Africa through world class quality audits, inspections and service performance.	443 abattoirs are audited, inspected and/or serviced by SAMIC	1 138 339
Transformation Livestock improvement & market access facilitation	Information days, articles in NERPO News. Facilitation of the formation of farmer cooperatives, starting with simple study groups.		372 170
Transformation Community based livestock worker programme in Bushbuck ridge district municipality	A detailed research study was conducted to determine how smallholder farmers would like primary animal health care services delivered to them. The conclusion was that the most ideal approach would be to teach farmers most of the basic animal health care rather than introduce a new tier to provide basic animal health care. Further funding is sought to roll out PAHC training.	113 farmers participated in the survey but the community is much larger (estimated at 40,000 people in 8,500 households)	270 634
HMS HACCP Training	To provide the learners with the necessary knowledge and skills to implement an Hygiene Management System in an abattoir	10	39 500
Lead Auditors Training	To provide the learners with accreditation and certification to conduct audits for compliance to legislation and regulatory requirements	2	11 200
Liaison – Local	NERPO has been able to represent the interests of the developing livestock farmers in most of the critical forums at both national and grassroots level.		758 466
Liaison – Local Producer communication	NERPO has been able to maintain regular communication with major stakeholders and farmers at grassroots level.		758 466
Beef-Up Campaign	Consumer communication and education – to build on the SA Beef brand value communicating the health and convenience value from economical budget family meal solutions through a promotional campaign rolled out on a national basis promoting beef in 7 vernacular languages via television, radio and print media.		1 616 000

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
Training of black butchers	Training based on orientation (personal hygiene, shop hygiene, machinery, knives, classification of meat, block test, cooking methods and level 1 first aid) and meat cutting.		268 000
Employ 2 black staff members in experimental tannery	SHALC granted money towards ISTT – newly employed staff assist with running of practical courses in the tannery, they ensure chemical containers are full, that scales are kept clean and assist students with loading and operating some of the larger tanning drums.		50 000
Training of black livestock marketing agents	Training based on legislation applicable to the sector and an understanding of the marketing agents' business environment.		9 200
Production Development	5 day formal training course for farm workers		498 225
TOTAL			** 7 814 443

**The expenditure on transformation funded by the red meat statutory levies shows an amount of R6 679 912 in Table 4. This amount is based on claims paid out by RMLA during the financial year March 2011 to February 2012. Variations exist when compared with detailed breakdown of expenditure received from the majority of representative service providers reflected in Table 16 above and the assumption is that the period reviewed is not exactly the same (financial year ends vary) and that service providers included surplus funds from the previous levy period in their reporting.

6.2.15 Sorghum

For the 2012 survey, the Sorghum Trust only spent 13.6 % of statutory levy income on transformation projects. However, the audited financial statements of the Sorghum Trust also stipulated that an allocation of R150 000 was approved by the Board of Trustees for the Grain Farmer Development Association (GFADA), but not yet transferred to GFADA by the end of the Trust's financial year. If this amount is added to the R282 676 already spent on transformation projects, then 20.8 % of levy income should be made available for transformation projects.

Due to the decline in the demand and production of sorghum, the interest among emerging farmers in sorghum as a crop has dwindled. Therefore not many transformation projects for sorghum exist. Grain SA and GFADA are the only entities that endeavour to promote the production of sorghum as part of their transformation initiatives. Decisions are therefore based on the actual projects that are submitted for funding.

Transformation is currently not a great success in the sorghum industry for the reasons mentioned above. It is, however, believed that interest in transformation should increase once clarity exists on the utilisation of sorghum for bio-fuel, which should lead to greater production of sorghum.



TABLE 17: TRANSFORMATION PROJECTS FUNDED IN THE SORGHUM INDUSTRY

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
Grain SA – Farmer Development Programme	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 farmer's days • Offer training courses on sorghum production and production practices • Develop training manuals and training material 	97 emerging farmers attended the farmer's days and training courses	282 676
TOTAL			282 676

6.2.16 Table grapes

An amount of R5.5 million (28.8 % of levy income) was spent on transformation projects in the table grape industry, compared to R3.5 million or 20 % of levy income in 2011.

The fourth year of the transformation strategy (developed in 2009) was implemented. Aligned with this strategy, SA Table Grapes Industry (SATI) embarked on three courses of action, namely, facilitation, funding and project implementation. Where direct interventions were carried out on farms, participants (and farms) were selected through an open application process. Applicants complete standard forms for specified activities like training, short term mentorship, bursaries, vine establishment and market visits. Their applications were considered against the guidelines provided under the DTI codes of good practice the SATI industry strategy and available budget.

From 15 viable enterprises holding black ownership at the start of the levy cycle in 2008, the table grape industry now has 25. The estimated number of hectares under black ownership has grown from nearly 9 % of the total area under table grapes in early 2009 to over 11 % in 2012. According to SATI's producer submissions, the value of exports from black farmers and shareholders grew by approximately 52 % between 2009 and 2012 (R121 million in the 2008/9 season to R184 million in the 2011/12 season). Four enterprises opted not to submit their data, which means that the true value and volumes are more than expressed here. Some BEE enterprises discontinued operations, resulting in the annual volume sold being relatively flat. The increase however in value of product sold has clearly been driven by those who were able to realise better product prices in both export and local markets through meaningful partnerships.

SATI has been in the position to assist most of our emerging enterprise in the area of training, information supply, enterprise development grants and market mediation. The profiles of black table grape have been raised in the UK and German press as part of our on-going efforts to market the ideal of buying table grapes that are grown by emerging producers.

The following table summarises transformation projects funded by SATI:

TABLE 18: TRANSFORMATION PROJECTS FUNDED IN THE TABLE GRAPES INDUSTRY

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
Preferred country, preferred cultivar	A vines subsidy scheme, ensuring that emerging producers have equal access to preferred vine varieties	2072	1 916 881
Power of the Grape, second edition	A directory and marketing piece for all emerging producers in SA, the content is used to communicate to emerging producer stories to the EU and UK consumers through the press	Industry wide	243 098
Market mediation	Travelled with 7 emerging producers to see UK markets and for them to evaluate the SATI consumer communication campaign	1081	395 806
BEE reporting	Cost of consumer campaign in the UK, telling the emerging producers' story	1081	584 747
Grape Academy	Developed and piloted training materials	Industry wide	605590
CSI Orange River	Training programme to benefit PDI jobseekers	500	214 945
CSI Berg River	Programme to upgrade the crèches in the region to enable world class learning of farm worker children at pre-school level	400	171001
CSI –HTA Hex River	Career development through training of middle managers, in addition to ABET programme to assist workers to matriculate	50	174945
CSI NTA Limpopo	Bursary for a boarding school learner	1	98 835
Ethical trade	Developing a SA industry standard and audit platform to improve labour working conditions while improving the audit process and reducing its cost. Ethical trade = farm worker transformation	Industry wide	294 945
Bursaries	Focussed bursaries for second year level and above, in fields of study that will support the industry and transform services in the sector.	4	177 146
Mentorship and training	Applicant driven training courses and on-farms mentorship support for improved profitability and sustainability.	1081	655 431
TOTAL			5 533 377

The table grape industry embarked on a new transformation strategy at the start of 2009 and undertook to ramp up our spending on transformation spending, year-on-year in order to attain the required 20 % target over the 4 year levy cycle. Spending was therefore in the region of 20 % for the 4 year cycle (VAT inclusive spending marginally exceeded the 20 % target).

SATI has been in the position to leverage approximately R70 million for its members from Western Cape Department of Agriculture (WCDoA), USAID and the IDC over the past four-year levy cycle. Outside support has come in the form of grants, tailored (soft) loans and outcomes-focused training. The Table Grape Academy now provides training materials to over 50 farmers, the Elsenburg Institute and to Stellenbosch University. The pest and disease section of the training materials developed to date is arguably the best of its kind in the world.

SATI has successfully developed working relationships with provincial departments of Agriculture. Evidence of this is in the successful execution of the commodity based approach to post settlement support in partnership with WCDoA where SATI has one of the top three commodity project allocation committees (CPACs). The CPAC recommends post-settlement CASP applications for funding, based on criteria set forth by WCDoA. WCDoA has increased its fund allocation to the table grape industry (CPAC) from R 0 in 2009 to R 9.5 million in 2012.

In keeping with the NAMC's guidelines of developing a scheme for emerging producers, SATI contributed over R2 million in funding for preferred table grape vines. This contribution has been one of the levers for other financial support to mutual beneficiaries of other funding organisations.

The table grape industry was directly affected by protests for increased farm worker wages during the past year. Emerging producers in De Doorns were the hardest hit by the vandalism that ensued, due to the fact that they are established along the N1 march routes (in keeping with nodal route development considerations) and near the informal settlements where their shareholders reside.

Minimum wage increases will detrimentally affect our emerging farmers, particularly those who are not connected to strong equity partnerships. The reason for this does not necessarily lie in competitiveness concerns, but in the fact that their businesses were scoped on the assumption that seasonal labourers were prepared to offer their services at a lower price.



6.2.17 Wine

The wine industry spent approximately 30.8 % or R19.0 million of levy income on transformation projects compared to R23.4 million or 35.6 % of levy income in 2011.

Winetech: Within the Research and Development environment, Winetech supports transformation by funding research projects that are done by black researchers and students. Winetech has expert committees that are responsible for identifying research needs, prioritising research projects and monitoring and evaluating progress of research projects.

WIDA: The Advisory Council of The Wine Industry Development Association decides how levy funds are allocated and which projects should be funded. These decisions are made well in advance and are contained in a budget to be approved at the AGM every year end. The budget is based on sound market economic principles and related disciplines, e.g. annual increases are based on inflation rates, etc.

WOSA: Transformation projects were selected after discussion with the owners of the black owned brands, and approved by the board.



Ntsiki Biyela of Stellekaya and viticulturist.

There is a definite increase in the number of black researchers that are involved in Research and Innovation and Technology Development in the wine industry. There is also a steady increase in the number of black students that are studying towards degrees in viticulture and oenology as well as other science-related degrees that are important and relevant for the wine industry.

When it comes to new entrant farmers, there is a definite increase in the crop yield as well as the quality of the crop and in the quality of the wine due to the implementation of the latest research results and the on-going actions to transfer the latest technologies to the new entrant farmers.

Transformation is slow but the number of black owned brands has increased, as has the number of black winemakers and executives in the industry.

TABLE 19: TRANSFORMATION PROJECTS FUNDED IN THE WINE INDUSTRY

Project title	Area (Province and Town)	Objective and outcome	Number of beneficiaries	Amount spent 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 SMMEs 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> <p>Level 3 contributor, verified by IQUAD BEE verification</p>		3 414 434
Winetech – Exposure and Training			83	6 844 344
Development and training	Western Cape	Provide workshops to the rural community in general and farm workers regarding their rights through the 'know your rights campaign' and covered areas such as sectorial determination and ESTA legislation, social development, consumer matters and skills development in order for them to serve their communities	100 volunteers, rural communities and farm workers in general	100 000
Land reform economic empowerment and food security project	Western Cape Paarl, Malmesbury and Robertson	Provide enterprise development through the establishment of agri-business for black emerging and commercial farmers, as well as food security for participating 180 farm workers and youth. The project was implemented in four geographical districts, namely, Paarl, Wellington, Malmesbury and Robertson	180 participants	100 000
HIV/AIDS awareness and prevention	Western Cape	Address substance abuse. To raise awareness about HIV/AIDS and delinquent behaviour through awareness, group counselling, advise services and community campaigns amongst the 200 youth and farm workers in general on 16 farms in 4 wine areas in order to inform them about the related consequences. To inform farm workers how to access services that deal with the illness	+ 200 Youth (7 Youth groups)	25 000

Project title	Area (Province and Town)	Objective and outcome	Number of beneficiaries	Amount spent R
Organisational Capacity Building – Western Cape	Western Cape	To provide organisational capacity building workshops to 200 youth of which 40 are from the Kapel farms	200 youth	25 000
Management/ Skills Development and Training	Western Cape	Facilitate skills development opportunities for unemployed 20 youth through learnerships in order for them to become skilled and better employable, and self-reliant to address their own food security and poverty challenges.	20 unemployed youth	25 000
Job creation and income generation – Western Cape	Western Cape	To facilitate job creation and self-employment for 10 unemployed youth in order for them to become self-reliant and to address food security and poverty challenges of their own families.	10	25 000
People's profit courses		Training to learners to discover the global market, learn about the economy, starting up a business, understanding the different business activities, noticing how businesses are affected and improve productivity	3 learners	40 000
Leadership development	Western Cape – Cape Peninsula University of Technology	Training in leadership development programme	1	16 000
Bursaries		Provide financial support to students at various tertiary educational institut	3	36 000
WIDA				2 430 496
WOSA Prowein 2011		BEE Companies that are part of the CBI programme were supported to participate at Prowein as per WOSA commitment to the WOSA/CBI partnership		18 450
Marketing		WOSA allocated an equal amount of R50 000 to 29 BEE companies for use in marketing of their businesses (e.g. Attendance at a fair, website development, brochures, etc.) WOSA paid against an invoice from a third party	29 companies	1 462 000
WIETA		Refer to file "WOSA – WIETA" for details		610 000
Other		Assistance from WOSA staff, in the way of salaries, costs of crafts bought from previously disadvantaged people, all the BEE accredited companies contracted in, as well as staff training and development, and stand space at all the international shows. WOSA is a level 2 contributor accredited through Empowerdex		3 873 518
TOTAL				19 045 328

Within the wine industry, the average vineyard worker has a Grade 3 education, which means they have a low level of literacy and numeracy. Although there are many efforts to up-skill and train these individuals, this will require an enormous effort and patience to achieve the desired result. The number of black students that achieve a matric pass in science and mathematics remains very low, which means that the number of students that qualify for studying viticulture and oenology as well as other science-related degrees remains low. If the wine industry wants to remain competitive in the global environment it needs to attract students that achieve good results in maths and science.

On the positive side, in the last couple of years there has been a steady increase in the number of black students studying towards degrees that benefit the wine industry.

Export: Merging BEE companies have challenges of operating in an industry that lacks profitability and with WOSA now being the only source of funding to the BEE companies it is impossible to deliver all the financial and other support needed to grow companies and fast-track transformation. There's been great improvement in the area of skills development.

The following challenges are faced by the industry:

- Lack of clarification among certain stakeholders about the utilisation of the 20 % allocation for transformation
- Disparity in the levy allocation amongst the industry stakeholders/implementing organs, e.g. WIDA, WOSA, WINETECH and SAWIS
- Need for the institution of a bargaining council for workers in the wine industry
- Need for a policy framework on socio-economic transformation for the wine industry, and an accelerated land reform strategy
- Lack of/limited support by government to the wine industry in respect of international trade and competitiveness
- Perceived continued fragmentation and lack of all-inclusive coherence among stakeholders
- Need for an increase in grants and other financing schemes and reduction in bureaucratic process to adjudicate application.

The following successes were achieved:

- Positive collaboration among stakeholders serving on the board of WIDA, despite the perceived frustration at other levels
- Willingness and commitments by a few organised farmers and institutions to drive transformation, despite the lack of government support
- The commitment of a large corporate entity to fund the rescue plan and turn-around strategy of a virtually bankrupt land reform initiative – WIDA played a pivotal role in the negotiations and discussions
- The commitment of the same corporate to assist another project in a similar manner – WIDA has started the process of identifying a suitable farm
- The willingness of Epilepsy SA to partner with WIDA in rolling out learnerships and other programmes in the Boland region.



6.2.18 Winter cereals

The winter cereal industry spent approximately 21.6 % or R10.3 million of levy income on transformation projects compared to R9.5 million or 24.1 % of levy income in 2011.

The Board of Trustees of the Winter Cereal Trust appointed a special committee to evaluate and identify transformation related projects which in their opinion have the potential to develop smallholder farmers who have the ability to become commercial farmers. Most of these projects are not operating in isolation due to the nature of grain production where crop rotation is part of the production systems. Support to projects is of a nature where no “cash hand-outs” to the beneficiaries/producers are made.

The effectiveness of transformation projects/programmes is not always measureable as outcomes can annually be influenced by various factors which cannot always be foreseen. Weather, prices of commodities and the competition of support to other commodities (sometimes on a short term) by Government or other institutions certainly have effects on the decision of farmers to continue with small grain production.

The industry is of the opinion, however, that it is important to keep the knowledge of small grain production with smallholder farmers should the environment for production become more favourable.



Transformation projects which are being funded from levy funds are summarised in the next table:

TABLE 20: TRANSFORMATION PROJECTS FUNDED IN THE WINTER CEREALS INDUSTRY

Project title	Objective and Outcome	Number of beneficiaries	Amount spent R
ARC: Small Grain Institute	Farmer support programme for developing and resource-poor farmers The verification of cultivars suitable for production in resource-limited agriculture Monitoring the soil fertility status in resource-poor environments		3 134 343
Grain SA	Commercialisation of wheat production amongst developing farmers in the Eastern Free State and Western/Southern Cape Schools Programme		1 643 646 440 000
SAB Barley Farm	Mentorship of 2 newly graduated agricultural students from previously disadvantaged area in grain production		
GRAIN FARMER DEVELOPMENT ASSOCIATION	The Winter Cereal Trust has been involved in the funding of grain farmer development programmes in the Eastern Free State which were administered by VKB Ltd and OVK Operations Ltd. The Board of Trustees decided to maintain its involvement in these programmes through Grain Farmer Development Association of which the Winter Cereal Trust and other grain trusts are members. Funding of these programmes will therefore be shown as funding to Grain Farmer Development Association The amount of R1 500 000 allocated to Grain Farmer Development Association must, to a certain extent, be seen as a preliminary allocation as the actual needs of the programme will only be known later in the year. It should also be noted that the need for support might be requested on short notice and it is therefore important to have reserved funds available for utilisation in this regard		1 500 000
Administration	Levy administration, trustee and committee expenses and commission paid to levy collectors		652 472
Information	SAGIS, SA Grain Laboratory, International Grains Council		712 415
Research	PANNAR, SENSAKO, SA Barley Breeding Institute		593 183
Provision	Projects to be identified		1 439 150
TOTAL			10 357 529

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 utilise the funds reserved for transformation purposes only for that purpose. 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.

The farmer development programmes referred to in the table above were scaled down for the 2012 planting season due to economic realities such as the relatively low price of wheat and also unfavourable climatic conditions. Supporting programmes linked to these farmer support programmes, administered by Grain SA and the ARC: Small Grain Institute continued in order to retain wheat production knowledge in the area.

The farmer development programmes are run on basis of a holistic farming programme which entails crop rotation systems, etc. These programmes are being executed in collaboration with the Maize Trust and other input suppliers.

Lazarus Mothusi is the head of a remarkable family who all live by the wisdom that says; 'whatever your hand finds to do, do it well'. This family works hard and enjoys quality time together. Over the past 20 years, they have built an amazing farming enterprise – although they do not own land.

Mothusi was named Grain South Africa's (GSA) Emerging Farmer of the Year in 2006 and is now a beneficiary of the North West provincial government's recapitalisation programme. He gives recognition to Grain SA's farmer development programme, which has run study groups for many years. He learnt many good farming practices and how to maintain tractors and implements from their courses. Mothusi also joined a Grain SA study group and he too has attended courses which, he says, he found very helpful.



7. CONCLUSIONS

The NAMC is of the opinion that the three statutory measures implemented in terms of the MAP Act, namely statutory levies, records & returns and the registration of certain role players, definitively promote the objectives of the MAP Act and enabled growth in the agricultural sector by means of effective information and communication and the funding of research, transformation, and other essential functions.

Most industries rely on the records and returns and the registration of role players to enable proper information collection and dissemination in the market. In total, 25 023 role players are registered in all the industries reported on in this Report. A total number of 9 365 returns are received and analysed every month by all these industries concerned. These returns form the backbone of agricultural information in South Africa.

Statutory levies remain the most effective method in generating funds in order to finance generic functions in the agricultural sector. The 2012 survey shows a total income of R371.9 million while an amount of R372.5 million was allocated to the various functions. In total, transformation (23 %) is the second biggest expenditure item after research (30 %). The NAMC is satisfied that, in most cases, statutory measures were administrated in accordance to the policy that 70 % of levy income be spent on activities such as research, information and other functions, less than 10 % on administration, and 20 % on transformation. Where industries failed, reasons were provided, and in a few cases, the NAMC will have to assist in improving the management of levy funds, with specific reference to administrative costs.

The report shows that all industries have proper systems in place to identify and prioritise transformation projects. In most cases, projects had to be limited or downscaled due to insufficient funds available. Although more funds were allocated to the transformation function (an increase of approximately 5 % compared to the previous survey), levy administrators faced numerous challenges that prevent faster transformation in the agricultural sector, such as the lack of sustainable mentorship programmes, that provincial departments of agriculture and municipalities do not consult with commodity organisations before starting new projects and building new infrastructure, the increase in the failure rate of land reform projects might have negative consequences on the total agricultural sector, etc. The NAMC took note of these facts and is of the opinion that, although current transformation projects are in many cases not optimal, industries should continue striving to reach transformation objectives.

Although it is difficult to quantify, it is believed that the objectives of statutory measures indirectly link with the mission of the DAFF, namely to develop and sustain a sector that contributes and embraces economic growth (and development), job creation, rural development, sustainable use of natural resources, and food security. For example, this report shows that in total, a number of 5551 black persons received training and bursaries to study, of which 989 persons were funded by the dairy industry and approximately 1000 persons funded by the pork industry.

The NAMC is further of the opinion that there was widespread support from directly affected groups for the implemented statutory measures in the sense that none of the statutory measures that were applicable during the reporting period was challenged in a court of law.

Finally, the NAMC wants to thank levy administrators for providing the information contained in this report and also want to thank the DAFF in assisting us to process applications for the implementation, amendment and continuation of statutory measures in such an efficient manner.



ANNEXURE A: 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 1462/7 F 012 804 8616 henniebruwer@cottonsa.org.za	Mr Ndlela Phenias Gumede	035 5721236 Cell 082 762 6201
Milk SA	Mr Nico Fouché	T 012 460 7312 F 012 460 9909 nico@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	Mr Anton Rabe	021 870 2900 082 575 4763
SA Mango Growers Association	Mr Rudolf	T 015 306 6244 F 015 307 6792 rudolf@subtrop.co.za Badenhorst	Tshifhiwa Radzilani	015 307 3676 078 567 1510 tshifhiwa@subtrop.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 2900 F 021 871 2915 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
Protea Producers of South Africa	Mr Anton Rabe	T 021 870 2900 F 021 870 2915 johlida@hortgro.co.za		
SA Olive	Mr Anton Rabe	T 021 870 2900 F 021 870 2915 johlida@hortgro.co.za		
National Lucerne Trust	Mr Derick Engelbrecht	T 044 272 8991 F 044 279 2838 lusern@mweb.co.za		

Administering body	Contact person	Contact	Transformation Manager	Contact
Potatoes SA	Ms Elsabé Els	T 012 349 1906 F 012 349 2641 elsabe@potatoes.co.za	Mr Nomvula Xaba	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 012 807 3958 F 012 807 4191 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		
Winter Cereal Trust	Mr Awie Coetzee	T 012 663 1660 F 012 663 3109 awie.coetzee@wctrust.co.za	Dr Moroleja	058 307 3400 jane@grainsa.co.za



ISBN: 978-0-621-42381-5

Contact Us:

Ms. Lizette Mellet

Tel: +27 (12) 341 1115

Fax: +27 (12) 341 1811

Email: info@namc.co.za

Web: www.namc.co.za

Block A | 4th floor | Meintjiesplein Building | 536 Frances Baard Street | Arcadia Pretoria 0002
Private Bag X935 | Pretoria 0001