

# STATUS REPORT ON STATUTORY MEASURES 2009 SURVEY



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

2009 SURVEY

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

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## ABBREVIATIONS

AG	Auditor-General
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
DFIDT	Deciduous Fruit Industry Development Trust
DFPT	Deciduous Fruit Producers' Trust
DFTS	Dried Fruit Technical Services
LRS	Levy Revenue Services (Australia)
MAP Act	Marketing of Agricultural Products Act, No 47 of 1996
MPO	Milk Producers' Organisation
MSMS	Meat Statutory Measure Services
NAMC	National Agricultural Marketing Council
NERPO	National Emergent Red Meat Producers' Organisation
NLO	National Lucerne Organisation
RMIF	Red Meat Industry Forum
SAGIS	South African Grain Information Service
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
WCT	Winter Cereal Trust
WIDA	Wine Industry Development Association
Winetech	Wine Industry Network of Expertise and Technology
WOSA	Wines of South Africa

## 1. SUMMARY

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

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. Records & returns are implemented for the collection and dissemination of generic market information. Registration is a statutory measure implemented in some agricultural sectors for the purpose of building a database of industry role players, such as exporters, importers, and processors.

Since 2008, the National Agricultural Marketing Council (NAMC) has conducted an annual review of all statutory measures implemented in terms of the MAP Act. Prior to 2008, only statutory levies were reviewed. The first report on the review of statutory levies was submitted to the Minister in November 2001.

For the 2009 survey, the twelve industries that collected statutory levies (citrus, cotton, dairy, deciduous fruit, dried fruit, pork, potato, red meat, sorghum, table grapes, wine, and winter cereal) were reviewed. These industries, as well as the lucerne, maize, milk, mohair, oilseeds, and wool industries, also administer statutory measures relating to registration and records & returns. In September 2009, statutory measures (including statutory levies) were promulgated for the poultry industry, which is the largest agricultural industry in South Africa. As the poultry industry has not yet completed their first financial year, their figures were not included in this survey.



## STATUS OF STATUTORY MEASURES – 2009 SURVEY

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The purpose of this report is to give the Minister a summary of all statutory measures promulgated to provide information on the amount collected through statutory levies (approximately R263.4 million), to analyse the amount spent (approximately R276.9 million) and the areas of application. These amounts may be verified by referring to the audited financial statements of the relevant levy administrators. The report also illustrates the assistance given by the relevant industries in promoting transformation and the share of emerging farmers' production of the agricultural products concerned.

The review shows that approximately R276.9 million was spent on industry functions, of which 33 % was spent on research, 22 % on transformation projects, 14 % on local consumer education, 12 % on export promotion, and 9 % on information (see Annexure A for more detail).

As part of the 2009 survey, the NAMC studied the statutory measure system that is used in Australia and compiled a comparison between the two systems used in South Africa and Australia (see Section 5 of this report). There are a number of similarities, for example statutory levies in both countries are collected to finance the same functions and the majority of agricultural products in both countries are subjected to a statutory levy. One of the biggest differences is that in Australia, the Levy Revenue Services (LRS), a similar body to the NAMC in South Africa, collects and distributes the statutory levies in Australia. As a result, the annual budget of the LRS is financed with statutory levies.

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 ORIGIN OF STATUTORY MEASURES

#### The 1937 Marketing Act

Statutory measures in South Africa originated in the late 1930s with the promulgation of the 1937 Marketing Act, which provided the legal framework for statutory interventions in agricultural marketing. Statutory intervention was established after farmer representatives complained about low and unstable agricultural producer prices. Other objectives of the 1937 Marketing Act were to increase productive efficiency of farming and to narrow the gap between producer and consumer prices. The National Marketing Council, with five members, was appointed to advise the Minister on matters pertaining to the marketing of agricultural commodities and the operation of the 1937 Marketing Act.

The 1937 Marketing Act established a system whereby farmer-dominated control boards had the necessary powers to introduce measures which affected the marketing of agricultural products, although these were always subject to the approval of the Minister of Agriculture. The number of control boards grew during the 1950s, and by 1961/62, over 90 % of total agricultural production was subjected to marketing control measures. The majority of these controls were managed through seventeen marketing schemes established in terms of the 1937 Marketing Act.

### The 1968 Marketing Act

In the quest for more control in the marketing of agricultural products, the 1968 Marketing Act (Act No 59 of 1968) replaced the 1937 Marketing Act. The agricultural marketing system, introduced under the 1968 Marketing Act, was a system of control for the movement, pricing, quality standards, selling, and supply of a large volume of farm production, with a view to securing price stability and narrowing the gap between producer and consumer prices in South Africa. In terms of this Act, farmer-dominated boards were established with ‘marketing schemes’, which, with the approval of the Minister, permitted control measures and statutory interventions in agricultural marketing. These measures included registration, records & returns, levies, pool schemes, single channel marketing, and surplus removal schemes. Statutory levies were used to fund information, grading, research, quality control, and other functions performed by the control boards at that time. However, statutory levies also enabled control boards to significantly increase their stabilisation funds.

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

### The 1996 Marketing Act

Deregulation in the South African agricultural industry began when the 1968 Marketing Act was repealed and replaced by the Marketing of Agricultural Products Act, No 47 of 1996 (MAP Act), with effect from 1 January 1997. The implementation of the MAP Act signalled the abolishment of agricultural marketing schemes established in terms of the 1968 Marketing Act and measures introduced in terms of that Act. However, it took almost twelve years to finalise all outstanding issues of the former control boards established in terms of the 1968 Marketing Act. The Maize Board was the last of these to finalise outstanding issues in July 2009.

The 1996 Marketing Act made provision for the establishment of the NAMC. The NAMC's early work focused on advising the Minister on the closure of control boards, the transfer of their assets to trusts, and ensuring that certain functions necessary for the smooth functioning of deregulated markets were provided for. By 1999, control board assets with a total value of approximately R630 million had been transferred to eleven commodity-specific trusts. The trusts' objectives have been to fund activities to improve market access and to fund research and information functions. In 2009, assets in agricultural trusts grew to approximately R1.8 billion.

Since 1996, industries have recognised the need to continue certain essential functions that were previously performed by the former control boards, such as collection and dissemination of information, conducting of research and implementing grading systems. Apart from the formation of industry trusts, forums were established for most industries on which all directly affected groups in the value chain are represented. Section 21 companies were also established to perform specific industry functions that had been carried out by the former control boards. These include Cotton SA, the South African Grain Information Service (SAGIS) and the South African Meat Industry Company (SAMIC).

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

Statutory measures are usually considered and recommended at forum meetings where all directly affected groups are represented, and administered by Section 21 companies or, in some cases, by the trusts, as is discussed later in this report.

### Summary

The purpose of the 1937 Marketing Act and the 1968 Marketing Act was to promote price stabilisation and to narrow the gap between producer and consumer prices. The purpose of the 1996 Marketing Act was to promote market liberalisation/deregulation, to make industry structures more representative, and to promote transformation in the agricultural sector.

## 2.2 CURRENT LEGAL FRAMEWORK

The MAP Act stipulates that any directly affected group (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) may apply for statutory measures, provided that the procedures, as explained in Section 2.4 of this report, which are also prescribed in the Act, are followed.

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

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

No statutory measure or prohibition in terms of Section 22 (prohibition of import and export of agricultural products) which 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.

The MAP Act makes provision for four statutory measures, namely statutory levies, control of exports of agricultural products, records & returns, and registration. Once a statutory measure is approved by the Minister for Agriculture, Forestry and Fisheries and promulgated in the *Government Gazette*, it becomes enforceable and legal action may be taken against those who fail to adhere to the requirements of the statutory measures.

### 2.3 DECLARATION OF AGRICULTURAL PRODUCTS

It is important that an agricultural product be declared as such for purposes of the MAP Act before a statutory measure is promulgated for that product. In 2005, the dairy industry was involved in a court case regarding statutory levies that were promulgated in December 2003. One of the main reasons for the court case was that the dairy statutory levy had been imposed on milk and dairy products (butter, cheese, cream, yogurt, etc.). While milk was declared as an agricultural product for the purpose of the Act, the latter dairy products were not. This situation posed a serious challenge to the validity of the dairy statutory levy. Legal opinion indicated that the dairy statutory levy and the regulation, in as far as it was applicable to dairy products other than milk, was invalid.

The result was that Notice No. R 1189 dated 4 September 1997, regarding the declaration of agricultural products, was amended on 2 December 2005 to include dairy products. After this amendment, the dairy industry applied for new statutory measures to replace those promulgated in December 2003. Milk SA, the administrator of dairy statutory levies, also refunded levy payers who paid levies on dairy products for the period while dairy products had not been declared as agricultural products for purposes of the MAP Act (before 2 December 2005).

The list of agricultural products declared as agricultural products for purposes of the MAP Act is attached as **Annexure F** of this report.

## 2.4 APPLICATION FOR STATUTORY MEASURES

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

- Agricultural product to which the statutory measure relates
- Categories of directly affected groups
- Geographical areas in which the statutory measure applies
- Manner in which the objectives of the Act will be furthered
- Business plan to be implemented
- Duration of the statutory measure
- Suitable vehicle for implementation
- Inspection and enforcement
- Financial implications for the fiscus

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

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

- Is the statutory levy going to finance a public good?  
The definition of a public good is a good or service that is not competitive and non-excludible. Furthermore, there must be indications that the benefit of the statutory levy must be more than the cost of the statutory levy.
- Is there sufficient support within the industry?  
Generally, for the collection of a statutory levy to be feasible, it has to have a reasonable degree of support within the industry. The NAMC advises the Minister as to the degree of support for a statutory levy in the industry. The NAMC uses the guideline that at least two thirds of persons responsible for



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paying the levy (based on their market share in the relevant industry) should support the application for statutory levies. If there is evidence of a lack of sufficient support for a statutory levy, the NAMC will not recommend it for the Minister's approval.

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

- Fairness to all directly affected groups
- Responsiveness to industry challenges
- Focus on long-term strategic planning
- Good financial management
- Education services for board directors/members/trustees on their roles and responsibilities
- Clear communication strategy to directly affected groups
- Succession planning (empowerment)

In 2001, the MAP Act was amended to stipulate that the Auditor-General be responsible for auditing all statutory levies on an annual basis. According to the MAP Act, "all levies shall in a manner and to the extent satisfactory to the Auditor-General be accounted for separately from any other funds or assets". This does not necessarily involve separate financial bookkeeping, but it is important to identify between levy funds and private funds.

In general, the approval of statutory levies is subject to the following conditions:

- That 70 % of levy income be spent on activities such as research, information and other functions, a maximum of 10 % on administration, and approximately 20 % on transformation (development of emerging farmers in line with the AgriBEE balanced scorecard).

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- 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.
- 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).

Although statutory measures are normally implemented for a maximum period of four years, industries may apply for the continuation of a statutory measure for a further term, for example of four years. The same procedures will be followed as those prescribed in the MAP Act for a new application for a statutory measure. This means that a statutory measure may be applicable for an indefinite period of time.

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**2.5 CURRENT STATUTORY MEASURES APPLICABLE IN SOUTH AFRICA**

The following table summarises the statutory measures that were applicable in the agricultural sector in terms of the 2009 survey:

**TABLE 1: A SUMMARY OF STATUTORY MEASURES**

INDUSTRY	Administration body	Statutory Measures		
		Statutory levy	Records & returns	Registration
Citrus (export only)	Citrus Growers' Association	√	√	√
Cotton	Cotton SA	√	√	√
Dairy	Milk SA	√	√	√
Deciduous fruit (pome and stone fruit)	Deciduous Fruit Producers' Trust	√	√	√
Dried fruit	Dried Fruit Technical Services	√	√	√
Grains (maize, oilseeds, sorghum, and winter cereals)	South African Grain Information Service		√	√
Lucerne	National Lucerne Organisation		√	√
Milk	Milk Producers' Organisation		√	√
Mohair	Mohair SA		√	√
Pork	SA Pork Producers' Organisation	√	√	√
Potatoes	Potatoes SA	√	√	√
Poultry and eggs	Southern African Poultry Association	√	√	√
Red meat	Meat Statutory Measure Services	√	√	√
Sorghum	Sorghum Trust	√		
Table grapes (export only)	SA Table Grape Industry	√	√	√
Grapes and grape juice intended for the production of wine	SAWIS (information) Winetech (research) WOSA (export promotion) WIDA (transformation)	√	√	√
Winter cereals	Winter Cereal Trust	√		
Wool	Cape Wools SA		√	√

**Annexure I** provides more detail of statutory measures applicable in the agricultural sector.

Section 9(1)(f) of the MAP Act stipulates that the NAMC shall monitor the application of statutory measures and report thereon to the Minister. Although NAMC must evaluate and review statutory measures at least every two years, it has decided to do so annually. The NAMC has developed a questionnaire relating to statutory measures which is sent to administrators by September/October each year. The questionnaires have to be completed and returned to the NAMC by February of the following year, and these are then processed to compile this report. Administrators are also requested to attach audited financial statements to the completed questionnaire so that the NAMC can verify some of the figures mentioned in the completed questionnaire.

#### New investigations

The NAMC is currently in the process of investigating the continuation of statutory measures in the pork, red meat, and winter cereal industries. Both the pork and the red meat industries applied for their new statutory measures to be approved for four years. The NAMC also received a new application for statutory measures in the mango industry and will make a recommendation to the Minister in the near future. Other potential new applications which the NAMC is aware of include an application for lucerne statutory levies and new statutory measures for the pecan nut industry.

### 3. STATUS OF STATUTORY LEVIES

#### 3.1 LEVY PERIOD AND YEAR UNDER REVIEW

Table 2 provides details of the period for which the current levies were approved and the different financial periods reviewed in this report.

**TABLE 2: STATUTORY LEVIES REVIEWED – 2009 SURVEY**

Product	Administering body	Financial statements under review	Levy introduced	Levy lapses	Duration
Citrus	Citrus Growers' Association	Apr 08 – Mar 09	25 Aug 2004	25 Aug 2008	4 years
Cotton lint	Cotton SA	Apr 08 – Mar 09	1 Apr 2008	31 Mar 2012	4 years
Dairy	Milk SA	Jan 09 – Dec 09	23 Dec 2005	23 Dec 2009	4 years
Deciduous fruit	Deciduous Fruit Producers' Trust (DFPT)	Oct 08 – Sep 09	19 Oct 2007	18 Oct 2011	4 years
Dried fruit	Dried Fruit Technical Services (DFTS)	Jan 09 – Dec 09	30 Jan 2009	30 Jan 2013	4 years
Pork	SA Pork Producers' Organisation (SAPPO)	Jan 09 – Dec 09	5 Nov 2007	4 Nov 2010	3 years
Potatoes	Potatoes SA	Jul 08 – Jun 09	1 Jul 2007	30 Jun 2011	4 years
Red meat	Red Meat Levy Admin	Apr 08 – Mar 09	5 Nov 2007	4 Nov 2010	3 years
Sorghum	Sorghum Trust	Mar 08 – Feb 09	1 Mar 2006	28 Feb 2010	4 years
Table grapes	South African Table Grape Industry (SATI)	Nov 08 – Oct 09	21 Nov 2008	21 Nov 2012	4 years
Wine and grapes	SAWIS	Jan 08 – Dec 08	1 Nov 2005	31 Oct 2009	4 years
	Winetech	Jan 08 – Dec 08	1 Nov 2005	31 Oct 2009	4 years
	WOSA	Jan 08 – Dec 08	1 Nov 2005	31 Oct 2009	4 years
	WETU	Jan 08 – Dec 08	1 Nov 2005	31 Oct 2009	4 years
Winter cereals	Winter Cereal Trust (WCT)	Nov 08 – Oct 09	1 Oct 2006	30 Sep 2010	4 years

Most of the administrators of levies are Section 21 companies and trusts. In the case of deciduous fruit, sorghum, and winter cereals, the relevant trusts are responsible for the administration of statutory levies.

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

In the case of the citrus, dairy, sorghum, and wine industries, new levy applications for a further term of four years have already been approved by the Minister, and these will be reported on in the next review of statutory measures.

### Citrus industry

On 26 August 2008, the Minister approved the continuation of citrus statutory measures for a further four years, effective from 1 September 2008.

### Dairy industry

The dairy statutory levies covered in this review were introduced on 23 December 2005 and lapsed on 23 December 2009 (a four-year period). On 15 January 2009, the Minister approved dairy statutory levies for a new four-year period, to lapse on 23 December 2013. The dairy industry applied approximately twenty months before the expiry date of the previous statutory measures for the continuation of their statutory measures.

### Sorghum industry

On 25 September 2009, the Minister approved the Sorghum Forum's application for the continuation of statutory levies for a further period of four years, to lapse on 28 February 2014.

### Wine industry

The four-year period for the wine statutory levies expired on 31 October 2009, and the new statutory levies were only introduced on 16 April 2010. This means that the wine industry operated for approximately six months without statutory levies. Fortunately, few wine or grapes was marketed during this period and the negative effects were not that severe. Should this occur in another industry, such as the pork industry where pork is marketed throughout the year, the negative effects would be far more severe. The length of time to obtain the approval of statutory levies approved before the existing statutory levies expire remains a high risk for all industries. Therefore, it is important for the NAMC to monitor a specific application on a continuous basis, in order to avoid a gap in the validity of statutory levies.

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### 3.2 TOTAL AMOUNT OF LEVIES COLLECTED

Table 3 shows the total value of products at the first point of sale, levy income, 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 – 2009 SURVEY**

Product	Total value of product at the first point of sale  R	Levy income  R	Levy income as a % of the value of the product  %	Levy collection rate  %
Citrus (exported)	2 770 350 000	28 377 458	1.02	99.3
Cotton lint	128 000 000	1 927 902	1.51	100.0
Dairy products	7 860 000 000	29 622 451	0.38	104.0
Deciduous fruit				
– Pome	3 811 000 000	22 956 193	0.60	96.0
– Stone	941 000 000	12 576 688	1.38	97.0
Dried fruit	360 000 000	1 869 855	0.52	97.0
Pork	2 521 470 000	13 459 122	0.53	102.0
Potatoes	4 400 000 000	22 181 627	0.50	98.0
Red meat	25 700 000 000	19 173 183	0.01	100.0
Sorghum	400 000 000	1 547 820	0.38	100.0
Table grapes	3 028 613 261	17 396 490	0.57	98.0
Wine	3 319 800 000	62 011 156	1.87	100.0
Winter cereal	5 312 270 000	30 296 604	0.57	106.9
<b>TOTAL</b>	<b>60 552 503 261</b>	<b>263 396 549</b>	<b>0.43</b>	<b>99.9</b>

#### 3.2.1 Total value of product at first point of sale

The total value of all agricultural products at the first point of sale for the 2009 survey (approximately R60.6 billion) is approximately 44 % more than the total value during the 2008 survey (approximately R42.0 billion). The main reason for this high increase is the change in the method used to determine the value of the red meat industry. In the 2008 survey, the value of the red meat industry was estimated at R11.8 billion, compared to the estimate of R25.7 billion in the 2009 survey. These figures were obtained from the administrator of statutory levies in the red meat industry.



### Cotton industry

Cotton production in South Africa has been in a state of decline for the past twenty years. Cotton lint production was 65 730 tons in 1989/90, 47 514 tons in 1999/00 and it is estimated to be 7 943 tons in the 2009/10 production. In 1998, the cotton industry was one of the first industries to apply for statutory levies in terms of the MAP Act. During the 2000/01 financial year, the cotton industry collected an amount of approximately R3.8 million in statutory levies, compared to the current approximation of R1.9 million, which is a decrease of 50 % in nominal terms. This situation is far more severe if inflation over time is taken into consideration. In 2009, the NAMC considered the status of statutory levies in the cotton industry and the fact that it was insufficient to meet the financial obligations of Cotton SA. The NAMC proposed measures to assist the cotton industry, including a possible grant by the Department of Agriculture, Forestry and Fisheries (DAFF) as well as a possible statutory levy on imported cotton lint. Cotton SA subsequently requested ministerial approval to amend the current levy Notice on cotton lint to allow that the statutory levy also be made applicable for all imported cotton lint.

At this rate of decline, there is a possibility that the cotton industry could become extinct in the near future.

### Sorghum industry

A gradual decline in the area planted to sorghum was experienced over the past few decades. This can mainly be ascribed to the fact that the returns from maize, sunflower seed, and soya beans are more favourable. Therefore, domestic sorghum production will depend entirely on the profitability of sorghum production as against that of substitute crops.

### **3.2.2 Levy income**

The total levies collected for the year under review amounted to R263.4 million, which is 14.8 % more than the R229.4 million reported as total levy income in the previous review.

### **3.2.3 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 approximately 0.43 %.

### **3.2.4 Levy collection rate**

Most levy administrators achieved a high collection rate. The average collection rate of all products is approximately 99.9 %. 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 contributing factor for the high collection rate in most industries is the low number of collecting points. The cotton industry has, for example only six collection points, and this contributed to their 100 % collection rate.

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### Winter cereal

The Winter Cereal Trust reported an actual collection rate of 106.9 % compared to the budgeted levy income. The Trust indicated that some levies collected during the 2008/09 financial year were payable in the previous financial year, which had a positive effect on the 2008/09 levy collection rate.

### 3.3 COMPARISON OF STATUTORY LEVY INCOME AND EXPENDITURE

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

**TABLE 4: LEVY INCOME AND EXPENDITURE – 2009 SURVEY**

	<b>Total levy income R</b>	<b>Total levy expenditure R</b>	<b>Surplus/deficit R</b>
Citrus	28 377 458	33 989 567	(5 612 109)
Cotton	1 927 902	2 638 927	(711 025)
Dairy	29 622 451	40 159 917	(10 537 466)
Deciduous fruit	35 532 881	36 509 607	(976 726)
Dried fruit	1 869 855	3 218 124	(1 348 269)
Pork	13 459 122	13 070 195	388 927
Potatoes	22 181 627	21 502 850	678 777
Red meat	19 173 183	15 115 559	4 057 624
Sorghum	1 547 820	1 637 828	(90 008)
Table grapes	17 396 490	14 526 041	2 870 449
Wine	62 011 156	60 519 078	1 492 078
Winter cereal	30 296 604	33 989 645	(3 693 041)
<b>TOTAL</b>	<b>263 396 549</b>	<b>276 877 338</b>	<b>(13 480 789)</b>

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As is seen from Table 4, levy expenditure exceeded levy income in some industries. In the case of the dairy industry, expenditure for the 2009 financial year was R10 537 466 more than the levy income for that year. The 2009 financial year was the last financial year in the cycle of four years for which the statutory levy was approved. Although the levy income per year over the four years did not differ much, the expenditure did – increasing from approximately R8.3 million in 2006 to approximately R40.0 million in 2009. The Woodlands Dairy court case during the early part of the four-year levy period prevented Milk SA from implementing its approved business plan.

The same observation can be made in the citrus, dried fruit, and winter cereal industries, as their expenditure increased significantly in the fourth year of their levy cycle.

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). In October 2003, the Minister approved a request from the Winter Cereal Trust (WCT) that remaining funds after the four-year levy period had lapsed be used for the same purposes for which they were originally collected, namely research in the winter cereal industry and the transfer of technology to emerging farmers. Since then, the Minister has, in the majority of cases, approved that surplus statutory funds be used for the same purposes for which they were originally collected in order to avoid the imposition of a higher levy in a subsequent levy period. The NAMC also monitors that 20 % of levy income be used for transformation purposes, and will take appropriate steps where this is not met.

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**3.4 AGRICULTURAL PRODUCTS SUBJECTED TO STATUTORY LEVIES**

Table 5 provides information about agricultural products which are subjected to statutory levies, based on the gross value of the individual agricultural products.

**TABLE 5: AGRICULTURAL PRODUCTS SUBJECTED TO STATUTORY LEVIES – 2009 SURVEY**

	Products levied	% levied	Products not levied	% not levied	Total
	R ' million		R ' million		R ' million
<b>Field crops</b>					
Cotton	80				
Sorghum	474				
Winter cereal	5 479				
Maize			16 346		
Sugar cane			4 420		
Other			9 755		
<b>Sub-total</b>	<b>6 033</b>	<b>16.5</b>	<b>30 521</b>	<b>83.5</b>	<b>36 554</b>
<b>Horticulture</b>					
Citrus	5 840				
Deciduous and dried fruit	8 174				
Potatoes	3 893				
Wine	3 304				
Vegetables			7 856		
Other			3 385		
<b>Sub-total</b>	<b>21 211</b>	<b>65.8</b>	<b>11 241</b>	<b>34.2</b>	<b>32 452</b>
<b>Animal products</b>					
Dairy	9 081				
Red meat	16 280				
Pork	3 047				
Poultry and eggs	29 047				
Other			4 207		
<b>Sub-total</b>	<b>57 455</b>	<b>93.2</b>	<b>4 207</b>	<b>6.8</b>	<b>61 662</b>
<b>TOTAL</b>	<b>84 699</b>	<b>64.8</b>	<b>45 969</b>	<b>35.2</b>	<b>130 668</b>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

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According to Table 5, approximately 64.8 % of all agricultural products, in terms of the gross value of the individual products, are subjected to a statutory levy. The maize industry, which is the second largest agricultural sector after the poultry industry with a gross value of R16.3 billion, does not use statutory levies because it has approximately R800 million in the Maize Trust. These funds were transferred from the former Maize Board and are used to finance generic functions in the maize industry. Generic functions in the mohair and wool industries are also financed with funds from the former control boards and transferred to the Mohair Trust and Wool Trust respectively. The total gross value of these industries is approximately R1.1 billion and R0.2 billion respectively.

It is also clear from Table 5 that directly affected groups involved with animal products are more inclined to make use of statutory levies, because 93.2 % of animal products, in terms of gross value, have statutory levies. Only 16.5 % of field crops have a statutory levy – taking into consideration the situation regarding maize and that the fact that the sugar industry is collecting funds in terms of other legislation.

Over time, the gross value of animal products also increased, while the gross value of field crops and horticultural products decreased. For the past ten years until 2009, the gross value of animal products compared to the gross value of all agricultural products increased from 43 % to 47 %. This is mainly due to South Africa's limited area of arable land and below average rainfall.

## 4. FUNCTIONS FINANCED BY STATUTORY LEVIES

The total expenditure of levy funds for the 2009 survey amounted to R276.9 million, which is 24.6 % more than the expenditure reported in the 2008 survey. The total expenditure of R276.9 million and how it was allocated to the various functions is set out in Table 6 (for more details see **Annexure A**).

**TABLE 6: FUNCTIONS FINANCED BY STATUTORY LEVIES**

Functions	Amount spent R	% of total levy expend- iture 2009	% of total levy expend- iture 2008	% of total levy expend- iture 2007
Administration	16 759 976	6	7	8
Transformation	61 832 155	22	23	20
Export promotion and market access	33 114 219	12	12	9
Research	90 169 729	33	32	39
Information and industry liaison	24 264 856	9	17	13
Production development	2 832 829	1	1	1
Plant improvement	2 658 981	1	1	1
Quality control	5 924 738	2	2	3
Local promotion and consumer education	39 319 855	14	5	5
<b>TOTAL</b>	<b>276 877 338</b>	<b>100</b>	<b>222 260 000</b>	<b>190 973 237</b>

### 4.1 ADMINISTRATION

With regard to the utilisation of statutory funds, the NAMC has implemented a guideline that no more than 10 % of levies collected should be used for administrative purposes. In November 2005, the Council adopted a document which sets out what should be regarded as administration costs for the purpose of collecting statutory levies.

Levy administrators were approached beforehand to make inputs on what they regarded as administration costs, and the final document was also communicated to them. See **Annexure D** for the NAMC’s policy on administration costs.

On average, approximately 6 % (R16.8 million) of levies collected was spent on administration, which is below the guideline of no more than 10 %. One of the largest components of administration costs is audit fees.

## 4.2 INFORMATION

Approximately 9 % (R24.3 million) of total levy expenditure was allocated to the information function. Accessible, accurate market information that is regularly and timeously available not only increases market access but also promotes efficiency in the marketing of the 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.

The largest transfers of statutory levy funds to organisations performing the information functions were the following:

	<b>Rand</b>
• Cotton SA – cotton industry	839 934
• DFPT – deciduous and dried fruit industries	2 478 496
• Potato SA – potato industry	5 363 029
• SAWIS – wine industry	7 803 361
• SAGIS – wheat and sorghum industries’ contribution	1 528 197
• SATI – table grape industry	1 220 298
• Milk SA – dairy industry	1 284 038



### 4.3 RESEARCH

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. Approximately 33 % (R90.2 million) of total levy expenditure was spent on research projects in the twelve industries that collected levies. Some of the industries are undertaking or initiating their own research, but a major portion of the R90.2 million was made available to the Agricultural Research Council (ARC) to undertake research in the agricultural sector, in consultation with the industries concerned.

A breakdown of the funding of the ARC's services is given below:

	<b>Rand</b>
• Cotton	100 000
• Deciduous fruit	6 782 569
• Potatoes	1 449 460
• Sorghum	365 343
• Wine	6 849 734
• Winter cereal	13 480 071
<b>Total</b>	<b>29 027 177</b>

Approximately R29.0 million for the ARC projects funded by statutory levies represents an increase of 9.5 % compared to the 2008 review. Although there was an increase in statutory levies to be used for ARC research projects, some industries expressed a concern regarding unfilled posts in the ARC, poor management, and a lack of capacity (experienced scientists resigned) within the ARC.

Due to these concerns, one could anticipate that in future, less statutory levies will be made available for ARC research projects, and more statutory funds will be allocated to Universities to undertake research for the relevant industries.

It is also a matter of concern that the percentage of statutory levy income utilised for research projects has decreased during the past four years, from 42 % in the 2006 survey to 39 % in the 2007 survey, 32 % in the 2008 survey, and 33 % in the 2009 review.

#### 4.4 TRANSFORMATION

Before August 2005, the NAMC's guideline was that at least 10 % of levy income should be used for the benefit of previously disadvantaged individuals (PDIs). In an attempt to increase the amount spent on transformation, the NAMC amended the guideline in August 2005 to stipulate that approximately 20 % of levy income should be used for transformation purposes. For the 2009 survey, the citrus industry was the only industry which operated in terms of the 10 % guideline, because their levies were promulgated in August 2004 to be valid for four years. From next year, all levy administrators will operate in terms of the 20% guideline.

The NAMC also drafted guidelines for trusts and levy administrators to assist in determining projects for the advantage of PDIs. See **Annexure E** for the NAMC's transformation guidelines.

On 13 May 2010, the NAMC held a meeting with most of the transformation managers appointed by industries that are making use of statutory levies. The meeting expressed the need for the NAMC to revisit its transformation guidelines, as the current guidelines are regarded as too vague.

The interpretation of the NAMC's transformation guidelines by levy administrators differs, which negatively affects the effective use of statutory levy funds available for transformation purposes. More clearly defined transformation guidelines could increase the impact of statutory levies on the transformation process in the relevant industries.

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According to the 2009 survey, the total amount spent on transformation projects was approximately R61.8 million, compared to the approximate amount of R51.2 million spent on transformation projects during 2008 – an increase of 20.7 %. Table 7 summarises the expenditure on transformation by each industry, and the percentage of total levy income that this represents. The last column shows the difference between the actual percentage of total levies spent and the prescribed percentage for the year under review.

**TABLE 7: LEVY INCOME AND AMOUNTS SPENT ON TRANSFORMATION – 2009 SURVEY**

Industry	Total amount of levy income R	Amount spent on transformation projects R	% of total levy income	Prescribed % of total levies to be spent*	Difference
Citrus	28 377 458	3 456 187	12.2	10	2.2
Cotton	1 927 902	1 188 867	61.7	20	41.7
Dairy	29 622 451	4 713 923	15.9	20	(4.1)
Deciduous fruit	35 532 881	6 470 408	18.2	20	(1.8)
Dried fruit	1 869 855	434 910	23.3	20	3.3
Pork	13 459 122	2 042 994	15.2	20	(4.8)
Potatoes	22 181 627	4 764 494	22.2	20	2.2
Red meat	19 173 183	6 575 974	34.3	20	14.3
Sorghum	1 547 820	312 445	20.2	20	0.2
Table grapes	17 396 490	1 291 405	7.4	20	(12.6)
Wine	62 011 156	24 580 355	39.6	20	19.6
Winter cereal	30 296 604	6 000 193	19.8	20	(0.2)
<b>TOTAL</b>	<b>263 396 549</b>	<b>61 832 155</b>	23.5		

\* Some approvals granted by the Minister were subject to 20 % of levy income being spent on transformation, while approvals before August 2005 (only the citrus industry) stipulated 10 %.

In Table 7, transformation is calculated as a percentage of levy income to evaluate how administrators complied with the NAMC's guidelines. In total, 23.5 % of total levy income was spent on transformation. Further on in this report, expenditure on functions is calculated as a percentage of the total levy expenditure. In that case, transformation expenditure represents 23 % of total expenditure of statutory levies.

For example, the cotton industry spent 61.7 % of levy income on transformation, but spent only 45.1 % of total expenditure on transformation. Some industries did not meet the guideline that 20 % of levy income be used for transformation purposes. Their responses were as follows:

#### Dairy industry

Although Milk SA only spent 15.9 % of their levy income in the year under review on transformation projects, it must be taken into consideration that the year under review was the first year of levy collection in a four-year levy cycle. Milk SA confirmed that they are committed to transformation in the dairy industry and will abide by this condition of approval over the four-year levy period.

#### Table grape industry

According to their 2008/09 financial statements, SATI only spent 7.4 % of levy income on transformation, the guideline being 20 %. SATI indicated that they underspent on transformation projects primarily because 2008/09 was the first year of the levy period; and they have been finalising projects that are intended to run over the four-year levy period. They expect to spend the prescribed 20 % in full by the end of the four-year levy period.

The questionnaire sent to the industry administrators contained various questions about black role players and how they benefited from statutory levies. A summary of the transformation projects in the relevant industries are tabled in **Annexure H** of this report.

#### **4.4.1 Production and contribution by emerging farmers**

The review of statutory levies also revealed other important information, such as total local production of a particular commodity in respect of which a statutory levy is

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collected, and production by emerging farmers. The number of commercial producers compared to the number of emerging farmers and their average production figures is summarised in Table 8.

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

Industry	Total production 2009 (Tons)	Commercial producers (Number)	PDI production 2009 (Tons)	BEE partnership production 2009 (Tons)	Small-scale producers (Number)
Citrus (exports only)	1 340 000	1400	4 000	78 000	88
Cotton	9 640	150	869	40	3 077
Dairy	2 538 000	3300	100 000	120 000	600
Deciduous fruit:					
Pome fruit	1 156 551	1 425	63 610	208 179	25
Stone fruit	273 309	764	13 665	49 196	13
Dried fruit	25 340	650	n.a.	n.a.	n.a.
Pork	168 097	300	24 000	n.a.	500
Potatoes	2 165 656	681	119 000	38 400	433
Red meat	716 900	30 000	215 070	–	1 000 000
Sorghum	241 400	1400	2 000	–	71
Table grapes	255 284	466	479	6 951	7
Wine	1 425 612	3 805	15 920	–	34
Wheat	2 359 792	5 800	64 000	–	1 222

n.a. = not available

The citrus industry indicated that it regarded all PDI growers as commercial producers because they all produce in excess of their own needs, the surplus being for sale in the open market. It has, therefore, provided information on black growers in this section.

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The red meat industry indicated that there are approximately one million small-scale producers who own cattle, goats or sheep, mostly on communal land.

Due to the large areas of communal land in South Africa and the culture among the majority of our citizens, in terms of which animals are kept for a number of reasons, a significant share of livestock is in the hands of this large number of small-scale farmers.

Table 9 summarises emerging farmers' share in production of the particular commodities reported in the 2001, 2003, 2005 and 2007 surveys, compared to the share reported in 2009.

**TABLE 9: PERCENTAGE PRODUCTION SHARE BY EMERGING FARMERS**

	<b>2001 survey %</b>	<b>2003 survey %</b>	<b>2005 survey %</b>	<b>2007 survey %</b>	<b>2009 survey %</b>
Citrus	1.1	1.9	1.8	1.8	5.8
Cotton	3.0	8.9	8.8	5.9	9.4
Dairy	n.a.	n.a.	n.a.	n.a.	3.8
Deciduous fruit					
Pome fruit	n.a.	0.1	1.1	3.0	5.5
Stone fruit	n.a.	0.1	1.1	3.0	5.0
Dried fruit	0.3	0.9	1.1	3.0	3.0
Pork	n.s.l.	n.s.l.	n.s.l.	20.0	17.8
Potatoes	n.a.	n.a.	n.a.	2.6	5.5
Red meat	n.s.l.	n.s.l.	n.s.l.	20.0	30.0
Sorghum	0.4	0.4	0.5	1.1	0.8
Table grapes	n.a.	0.0	1.1	3.0	2.9
Wine	n.a.	0.1	0.4	0.7	1.1
Winter cereal	n.a.	n.a.	0.4	2.9	2.7

n.a. = not available

n.s.l. = no statutory levies

The increase in production by emerging farmers as a percentage of total production may be regarded as one of the main indicators for monitoring the process of bringing black farmers into the mainstream of commercial agricultural production.

This enables the NAMC to monitor progress made in improving emerging farmers' production.

From the figures in Table 9, it is clear that while the market share of emerging farmers increased in most sectors, it is still relatively small in most agricultural industries.

It is evident from Table 9 that the emerging farmer production increased significantly in the cotton industry. If better information were available for emerging sector production, greater increases would possibly also be seen in the sorghum industry. Unfortunately, both these industries reported lower production figures in recent years because other products could be produced and sold for better prices.

## **4.5 OTHER FUNCTIONS**

### **4.5.1 Export promotion**

Approximately R33.1 million was spent on export promotion. Wines of South Africa (WOSA) is promoting South African wine on the overseas markets. WOSA has offices in Canada, Denmark, Germany, the Netherlands, Sweden, the United Kingdom and the United States (US), and participated in international wine shows. Other industries, such as the citrus, deciduous fruit and potato industries, are also promoting their commodities in overseas markets.

### **4.5.2 Consumer education / Local promotion**

It was predominantly the livestock industries that spent statutory funds on consumer educations/local promotions. On 16 August 2005, the NAMC held a workshop with levy administrators to discuss the desirability of generic promotions.

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The outcome was a decision that generic promotions should continue, provided there was sufficient support within a specific industry. It was also agreed that these promotions should, in future, be referred to as the promotion of “consumer awareness”.

The amounts made available for local promotions were as follows:

• Cotton	R123 483
• Dairy	R25 729 410
• Pork	R8 215 362
• Potatoes	R3 175 600
• Red meat	R2 076 000

### Dairy industry

During the financial year under review, the South African dairy industry spent a significant R25 729 410 (or 64.1 % of total expenditure) on consumer education. Although it might be extremely complicated to determine if the benefit for this expenditure outweighs the cost thereof, the NAMC doubts that this is the case. On the other hand, it is the dairy producers/processors who are paying the statutory levy. In 2008, during the last investigation for the continuation of statutory levies in the dairy industry, there was not one directly affected group which objected to the statutory levies and the functions it should finance. The NAMC is in the process of investigating the impact of generic promotions in order to shed more light on the issue of whether the benefit of consumer education exceeds the cost thereof.

### **4.5.3 Plant improvement**

The deciduous fruit and dried fruit industries spent R2 658 981 (6 % and 11 % of expenditure respectively) on plant improvement.



#### **4.5.4 Production development**

The red meat industry spent R2 832 829 (19 % of levy expenditure) on production development.

#### **4.5.5 Quality control**

The function of quality control is mainly undertaken by the cotton, dairy, pork, and red meat industries, with the objective of ensuring that consumers have peace of mind when they use these products. In total approximately R5.9 million was spent on quality control.

## 5. COMPARISON OF STATUTORY MEASURES IN SOUTH AFRICA AND AUSTRALIA

In March 2010, an NAMC representative met with the National Compliance Manager of the Levy Revenue Services (LRS) and the Senior Advisor, Legislation and Policy of the LRS in Canberra, Australia. In many ways, the LRS in Australia performs the same role as the NAMC in South Africa. The LRS is a division of the Australian Government Department of Agriculture, Fisheries and Forestry and is responsible for investigations regarding statutory levies as well as the collection and distribution of all statutory levies to the relevant Research and Development Corporations, Marketing Agencies, Animal Health Australia, Plant Health Australia, and the National Residue Survey. The LRS is also responsible for the distribution of the Australian Government's matching research and development contributions. The LRS employs 47 people and has six offices across Australia, namely in Canberra (Central Office), Adelaide, Brisbane, Melbourne, Perth and Sydney.

Other characteristics of the Australian statutory levy systems are as follows:

- In the 2007/8 financial year, the LRS collected and distributed AUD\$621 million in levy income. Converted into Rand (exchange rate R7 = AUD\$1 March 2010), the LRS distributed R4.347 billion compared to the R0.222 billion distributed by South Africa levy administrators. Their statutory levy income is thus twenty times more than the statutory levy income in South Africa.
- Apart from the AUD\$621 million of statutory levies distributed, the LRS also distributed a further AUD\$194 million as the matching grant from their Australian Government to the relevant industries for research programmes. This matching grant for research programmes is one of the major driving forces behind the application for statutory levies in Australia,

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because should industries fail to apply for a statutory levy, they may risk forfeiting the matching grant for research. Approximately 99 % of agricultural commodities in Australia is subjected to a statutory levy (compared to approximately 65 % in South Africa).

- Although the LRS is a government institution, their total budget is financed by the income from statutory levies. On average, their budget is approximately 1 % of statutory levy income. In other words, the administrative cost of statutory levies in Australia is 1 %, compared to approximately 7 % in South Africa.
- In both countries, agriculture, fisheries and forestry represent approximately 3% of Gross Domestic Product (GDP).
- Australia has a comprehensive and complicated legislation framework for statutory levies. They have 27 different Acts which could be allocated into four sections, namely Imposition legislation (seven Acts), Collection legislation (two Acts), Disbursement legislation (sixteen Acts) and Financial management legislation (two Acts). South Africa has only one Act, namely the Marketing of Agricultural Products Act, No 47 of 1996.
- The NAMC's representative is of the opinion that both the activities and the institutional knowledge of the NAMC in South Africa compare favourably with those of the LRS in Australia.

A detailed comparison of statutory measures administered in South Africa and Australia can be found in **Annexure G**.

## **6. VIEWPOINTS OF LEVY ADMINISTRATORS**

Questions to levy administrators about their problems, comments and suggestions regarding levy administration were included in the 2009 questionnaire. Their responses are summarised below.

### **6.1 AUDITOR-GENERAL**

Meat Statutory Measure Services (MSMS) complained about the fact that the Auditor-General (AG) took so long to appoint auditors who could perform the audit function on behalf of the AG. The NAMC is aware that some other levy administrators experienced the same problem. The cost related to the auditing of statutory levies is also very high.

### **6.2 INSUFFICIENT INFORMATION**

Potatoes SA experienced problems with regard to the verification of statutory levy income. At this stage, they have a strong suspicion that there are some levies not being collected in the collection process. The problem is aggravated by the fact that it is not cost effective to track down and investigate all processors, retailers, producers (direct sales), and importers. Only by maintaining a trace of the product flow and cross verification will they be able to ensure maximum recovery of the levies. However, as this will result in a substantial increase in administration costs, man hours and travel expenses, the stipulated guideline of no more than 10 % of levy income being used for administration costs will unfortunately prohibit the enforcement of this measure.

The MSMS proposed that the NAMC should consult with Government institutions in order to investigate if product-related information could be made available to improve the levy collection rate. In February 2010, the NAMC held discussions with the DAFF (Directorate Marketing) to arrange that importers of dairy and red meat products provide their registration number (obtainable from Milk SA and MSMS respectively) on the application forms for import permits, in order to improve the collection rate on imported dairy and red meat products. In May 2010, the NAMC held further discussions with the DAFF (Directorate Food Safety and Quality Assurance) with the view to introducing the necessary measures to link information obtained through the Meat Safety Act, the Animal Diseases Act and the MAP Act in order to improve the collection rate of statutory levies on imported agricultural products. They will request ministerial approval for such an arrangement, and if successful, information previously regarded as confidential could be used against levy defaulters.

### **6.3 INFORMAL SECTOR**

The deciduous fruit industry mentioned that those trading in the formal sector are paying the statutory levy. They also stated that the role players in the informal sector (the so-called bakkie market) are virtually impossible to trace. They indicated that it is difficult to introduce a system with regards to levyable products in the informal sector. Although they strive for a 100 % collection rate, they acknowledge that some products might bypass the collection net.

The NAMC wishes to point out that in the majority of cases, levy administrators focus mainly on the formal sector to collect statutory levies. For example, in the case of the red meat industry, they do not even budget to collect statutory levies in the informal sector, in spite of approximately 40 % of all cattle being owned by black farmers.

#### 6.4 DELAYS IN THE APPLICATION PROCESS

The sorghum industry opined that the time it takes from the submission of an application to the final promulgation of the statutory levies needs to be addressed in order to alleviate budgeting difficulties. The industry indicated that recently, the NAMC has been of considerable assistance in expediting the approval and publication of the statutory levy on sorghum, and the industry is very appreciative of this.

A good example of administrative incapacity is the case of the wine industry. The original wine statutory measures (levies, registration, and records & returns) in terms of the MAP Act were promulgated on 1 July 1999. The wine industry successfully applied for the continuation of statutory measures every four years. However, on 26 April 2009, the wine industry again applied to the Minister for the continuation of statutory measures, because the valid statutory measures at that stage would lapse on 31 October 2009. Due to the delay in the process, new statutory levies could only be promulgated in April 2010 – a gap of six months. Fortunately, this six-month period was also the 'off season' in the wine industry and so the absence of statutory measures did not severely impact the wine industry. Should the same scenario occur in, for example the red meat industry, the consequences would have been far more severe. Needless to say, the NAMC will do everything in its power to prevent this happening in future, unfortunately though, this may sometimes be beyond the control of the NAMC.

## 6.5 LEGAL COSTS

The dairy industry complained that their legal cost was extremely high and inflated their administration costs, which must be, according to the NAMC guideline, no more than 10 % of levy income. The NAMC was requested to investigate the possibility of the State Attorneys assisting Milk SA in legal action against levy defaulters. The NAMC is of the opinion that the private sector is far more efficient than the public sector in dealing with these issues, and the dairy industry should in future focus on consistently obtaining and maintaining the support from directly affected groups for the dairy statutory levies. This would reduce the need for legal action against levy defaulters.

## 7. CHALLENGES FACED BY THE RELEVANT INDUSTRIES IN SUPPORTING TRANSFORMATION

### Citrus industry

The CGA indicated that the citrus industry is facing a number of challenges with regard to transformation. The biggest obstacle is the lack of support from other stakeholders to ensure co-ordinated efforts in alleviating all the challenges. The industry's BEE owned projects still encounter the following challenges:

- Infrastructure development
- Skills gap – meaning business management skills and technical skills, particularly regarding community-owned projects
- Financing of the projects – most older projects are faced with significant debt due to poor management
- Lack of support from Provincial Departments of Agriculture

### Cotton industry

Cotton SA mentioned that proper irrigation and other infrastructure for small-scale cotton farmers remain a huge problem. A request for funding in the absence of land ownership (collateral) makes it virtually impossible to obtain funding to establish a crop within the specific production season. Proper technical support from government remains one of the biggest shortcomings in agriculture today. Current extension staff has neither the knowledge nor the necessary experience/skill to assist cotton farmers. In general, capacity at provincial level to implement identified projects is lacking and consequently, government is not performing at the level of expectation created by promises made.



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According to Cotton SA, the majority of small-scale 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.

### Dairy industry

Milk SA indicated that there are numerous challenges with regard to transformation in its various facets. The following challenges are examples that the dairy industry intends to address:

- i. Infrastructure
- ii. Scale economics
- iii. Market access
- iv. Funds
- v. Other resources
- vi. Knowledge and skills transfer
- vii. Commitment and capacity of authorities and other partners
- viii. Creating and managing sustainable models

### Deciduous fruit industry

The industry indicated that funding (grants, soft loans, etc.), timing, and amounts available are the most important inhibiting factors affecting support to developing farmers. One of the biggest mistakes made to date was to assist developing farmers obtain land through grants but without the provision of any additional support (machinery and equipment, production capital, post settlement support or making sure management and financial skills are in place).

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As a result, developing farmers are experiencing immense difficulty in surviving in an industry that is extremely capitalist and management intensive.

Key elements for success are high levels of expertise, knowledge, and experience. The industry's main aim is to help develop emerging farmers to grow into fully commercial farmers as soon as possible, creating a pull effect and thereby also helping new developing farmers to enter the deciduous fruit industry.

The industry's success rate is far higher than the figures quoted for the country as a whole, and the industry body is committed to working towards the success of land reform and transformation through the provision of support in terms of facilitation (helping with accessing funds, applying for grants, business plans, post settlement support, farmer support and development, etc.) and expertise where necessary.

The industry is of the opinion that strategic partnerships with government and other institutions should have been adopted long ago, as this is the only way that land reform and developing farmers will be successful. Government and other institutions and industry need to work together to make the best use of each other's expertise.

### Potato industry

According to Potatoes SA (PSA), the biggest challenge facing the potato industry is the regulation in the Potato Trust Deed pertaining to the spending of the levy funds for transformation. Currently, statutory funds cannot be spent on tangible inputs such as mechanisation, infrastructure, and inputs (such as seed potatoes). As the PSA's focus with regards to transformation is aimed at the establishment of black commercial potato farmers, the access to finance for production purposes becomes paramount. Due to issues such as land ownership and lack of security, this restricts new entrants with regards to access to finance.

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At this stage, assistance to emerging potato producers is restricted to training and potato trails. The Trust Deed needs to be amended to provide a comprehensive package of assistance to emerging farmers.

### Sorghum industry

The Sorghum Trust's administrator of the sorghum statutory levy emphasised that sorghum is a diminishing industry due to the lower demand of sorghum. Production is therefore decreasing and the interest among developing farmers is dwindling to grow sorghum. The Trust also mentioned that sorghum is mainly produced by developing farmers for their own consumption and not for commercial use. The Trust proposed that the NAMC could perhaps provide support to the industry by promoting sorghum production in rural areas. It is also necessary for prior agreements to be concluded by processors/traders in these areas to ensure the successful marketing of the product.

### Table grape industry

SATI is of the opinion that market trends are counterproductive to the progress of emerging farmers in the table grape industry. Market conditions continue to force a trend for fewer growers on larger production units. Emerging growers are subject to the same risks that force consolidation of the broader grower segment in the industry. Emerging table grape growers who have not had the opportunity to partner with commercial growers, and have not enjoyed the accompanying asset, credit, expansion, network, and market access support, are currently at risk. In addition to this, viable credit options remain limited. There is therefore a limited number of stand alone, non-assisted HDI producer businesses, and their viability frequently comes under question.

The government moratorium on certain grant financing instruments, imposed during 2009, has posed a setback for prospecting historically disadvantaged people seeking to become business owners in the industry. SATI is investigating alternative sources of equity funding from both the private sector and from government to help find sustainable business solutions to the problem. A strong case can be made for vertical integration, since producer-exporters appear more robust during times of market adversity. The scope for black ownership in the industry should therefore not be limited to production alone. HDI ownership of export, logistics, input supply, and even wholesale business falls well within the scope of the codes of good practice against which industries are required to benchmark themselves.

#### Wine industry

The wine industry indicated that technology transfer of the research results to developing farmers is both challenging and costly, as it is necessary for the bulk of it to be accomplished on a one-to-one basis, owing to the distribution of the growers over wide areas.

## 8. CONCLUSIONS

Total statutory levy expenditure in the 2009 survey increased to approximately R276.9 million, compared to approximately R222.3 million in the 2008 survey. This is an increase of 24.6 %. If one considers the total levy expenditure in the 2007 survey (approximately R191.0 million) and the 2006 survey (approximately R144.0 million), it is apparent that statutory levies become more important to finance generic functions in the agricultural sector. This trend is set to continue, as the newly promulgated poultry levies will in future form part of total levy income. This increase in total levy income and expenditure is remarkable, particularly during the period of economic recession that was experienced in 2009.

The NAMC is in the process of evaluating the function of generic promotions and whether it should in future be financed by statutory levies. The NAMC intends to accommodate the viewpoints of the relevant industries in formulating its final viewpoint in this regard.

The length of time to obtain the approval of statutory measures remains a high risk factor for all industries. The NAMC is doing everything in its power to avoid a gap between the expiration of statutory measures and the promulgation of new statutory measures; it is hoped that the DAFF and the Minister's Office are making the same effort in this regard. The wine industry is a recent example where the previous statutory measures lapsed and the new statutory measures were only promulgated six months later. In some industries, such a situation could be detrimental to not only the industry itself but also to the image of the NAMC, DAFF, and every effort should be taken in a bid to avoid this occurrence.

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The NAMC is furthermore of the opinion that it would be beneficial for every agricultural sector in South Africa to have statutory measures, and more specifically, to have statutory levies. Once industries have obtained approval to administer statutory measures, they would be able to organise themselves and to collect funds at a lower cost per unit to render important functions, as the levies are compulsory and thus everybody would be eligible for the payment thereof. In order to support initiatives by the various agricultural industries, the DAFF should consider using the same principle adhered to by the Australian Government, in providing a matching grant for levy funds used for important functions, such as research and transformation.

Finally, the NAMC recognises and appreciates industries' efforts in meeting the conditions of approval for the statutory measures reported in this survey.

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## LIST OF ANNEXURES

**LEVY EXPENDITURE AND ALLOCATION TO FUNCTIONS – 2009 SURVEY**

**ANNEXURE A**

	Admin	Transformation	Export promotion & market access	Research	Information & industry liaison	Production development	Consumer education/local promotion	Plant improve	Quality control	Total
Citrus	1 541 430	3 456 187	2 615 471	25 018 531	1 357 948					33 989 567
%	5	10	8	73	4					100
Cotton	23 200	1 188 867		100 000	839 934		123 483		363 443	2 638 927
%	1	45		4	32		4		14	100
Dairy	3 204 319	4 713 923		847 206	1 284 038		25 729 410		4 381 021	40 159 917
%	8	12		2	3		64		11	100
Deciduous fruit	2 793 926	6 470 408	7 035 194	15 762 171	2 151 279			2 296 629		36 509 607
%	8	18	19	43	6			6		100
Table grapes	1 773 159	1 291 405	2 685 794	7 555 385	1 220 298					14 526 041
%	12	9	19	52	8					100
Dried fruit	302 296	434 910	411 650	1 379 699	327 217			362 352		3 218 124
%	9	14	13	43	10			11		100
Pork	1 345 912	2 042 994		325 098	548 830		8 215 362		591 999	13 070 195
%	10	16		2	4		63		5	100
Potato	1 989 194	4 764 494	290 833	5 919 700	5 363 029		3 175 600			21 502 850
%	9	22	1	28	25		15			100
Red meat	1 201 756	6 575 974			1 840 725	2 832 829	2 076 000		588 275	15 115 559
%	8	44			12	19	13		4	100
Sorghum	95 490	312 445		549 443	680 450					1 637 828
%	6	19		33	42					100
Wine	879 592	24 580 355	20 075 277	7 180 493	7 803 361					60 519 078
%	1	41	33	12	13					100
Wheat	1 609 702	6 000 193		25 532 003	847 747					33 989 645
%	5	18		75	2					100
<b>Total</b>	<b>16 759 976</b>	<b>61 832 155</b>	<b>33 114 219</b>	<b>90 169 729</b>	<b>24 264 856</b>	<b>2 832 839</b>	<b>39 319 855</b>	<b>2 658 981</b>	<b>5 924 738</b>	<b>276 877 338</b>
%	<b>6</b>	<b>22</b>	<b>12</b>	<b>33</b>	<b>9</b>	<b>1</b>	<b>14</b>	<b>1</b>	<b>2</b>	<b>100</b>



## ANNEXURE B

### CONTACT DETAILS OF TRANSFORMATION MANAGERS

#### Citrus industry

Lukhanyo Nkombisa

Telephone number 031 765 2514  
Cell phone number 072 257 8386  
E-mail address Lukhanyo@cga.co.za

#### Cotton industry

Peter Komane

Telephone number 012 804 1462  
Cell phone number 082 952 9871  
E-mail address peter.cottonsa@vodamail.co.za

#### Dairy industry

Godfrey Rathogwa

Telephone number 012 460 7312  
Cell phone number 083 900 6712  
E-mail address godfrey@milksa.co.za

#### Deciduous fruit and dried fruit industries

Anton Rabe

Telephone number 021 870 2900  
Cell phone number 083 453 3422  
E-mail address anton@hortgro.org.za

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**Pork industry**

Qeda Nyoka

Telephone number 012 361 3920  
Cell phone number 072 338 2369  
E-mail address qnyoka@sapork.com

**Potato industry**

Diale Mokgojwa

Telephone number 012 349 1906  
Cell phone number 082 388 0513  
E-mail address diale@potatoes.co.za

**Sorghum industry**

Nico Vermaak

Telephone number 056 515 2145  
Cell phone number 082 449 9897  
E-mail address nicov@grainsa.co.za

**Red meat industry**

Langa Simela

Telephone number 012 361 9127  
Cell phone number 082 079 5838  
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**Table grape industry**

Phil Bowes

Telephone number 021 872 1438  
Cell phone number 083 581 4322  
E-mail address phil@satgi.co.za

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### **Wine industry**

Denver Williams

Telephone number 021 872 9181

Cell phone number 082 373 6381

E-mail address denver@wida.co.za

### **Winter cereal industry**

Jane McPherson

Telephone number 058 307 3400

Cell phone number 082 854 7171

E-mail address jane@grainsa.co.za

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**ANNEXURE C**

**CONTACT DETAILS OF LEVY ADMINISTRATORS**

Levy	Administrating body	Contact person	Contact number	E-mail address
Citrus	Citrus Growers' Association of SA	Mr Justin Chadwick	T 031 765 2514 F 031 765 8029	justchad@iafrica.com
Cotton	Cotton SA	Mr Hennie Bruwer	T 012 804 1462 F 012 804 8616	henniebruwer@cottonsa.org.za
Dairy	Milk SA	Mr Nico Fouche	T 012 804 4801 F 012 804 4811	info@milksa.co.za
Deciduous fruit - Pome fruit - Stone fruit	Deciduous Fruit Producers' Trust	Mr Anton Rabe	T 021 870 2900 F 021 870 2915	johlida@hortgro.co.za
Table grapes	SA Table Grape Industry	Ms Elaine Alexander	T 021 872 1438 F 021 872 4375	rhomona@satgi.co.za
Dried fruit	Dried Fruit Technical Services	Mr Dappies Smith	T 021 870 2925 F 021 871 2192	dappies@dtd.co.za
Pork	South African Pork Producers' Organisation	Mr Simon Streicher	T 021 361 3920 F 021 361 4069	info@sapork.com
Potato	Potatoes SA	Mr Gawie Geyer	T 012 349 1906 F 012 349 2641	ggeyer@potatoes.co.za
Red meat	Red Meat Levy Admin	Ms Alet du Plessis	T 012 348 7572 F 012 361 9837	aletd@levyadmin.co.za
Sorghum	Sorghum Trust	Mr Leon du Plessis	T 012 807 3958 F 012 807 7090	l-lagric@mweb.co.za
Wine and grapes	Winetech WOSA SAWIS	Ms Yvette vd Merwe	T 021 807 5719 F 021 807 6000	yvette@sawis.co.za
Winter cereals	Winter Cereals Trust	Mr Awie Coetzee	T 012 663 1660 F 012 663 3109	wct@grainmilling.co.za

## **POLICY ON ADMINISTRATION COSTS**

A guideline has been established by the NAMC for all statutory levy administrators that no more than 10 % of the total statutory levy income should be spent on administration functions. In order to assist with the application of this guideline, the following examples of administration costs for the administration of a statutory levy are provided. *(Note: for all the items listed below it is acceptable for an administrator to distinguish between time [or portion of the cost item] spent on levy administration versus core business.)*

- Salary and other staff costs of CEO and administrator of levy collection (in the case of a CEO this would be the time spent on non-core activities)
- Salary and staff costs of those directly involved with the collection of the levy
- Rent for offices for above personnel
- Cleaning services for above offices
- Telephone and postage for above personnel
- Audit fees
- Local government taxes and levies
- Bank charges
- Commission paid to levy collectors (if any)
- Parking cost for above personnel
- Directors' fee and Subsistence and Travel (S+T) allowances for levy administrator body (Trust, Section 21 Company, etc.)
- Cost of informing producers about the levy and report backs
- Inspectors' salaries and S+T claims
- Evaluation of performance (or peer review) of core functions
- Publications and subscriptions
- Insurance
- Legal fees

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- IT support
- Photocopy expenses and rent
- Stationery
- Training
- Office equipment and software rental
- Depreciation (depreciation could be regarded as a core expenditure if adequately motivated)
- Committee expenses (HR & Audit Committees, etc.)
- Personnel-related expenses (expenses related to the implementation and application of personnel remuneration system, personnel policy and service conditions, etc.)

The following are not regarded as administration costs:

- Salary: If an individual's responsibility is to administer, for example the research function or information function, then the salary of the individual (or portion of salary/time spent on core functions) is not deemed to be an administrative cost but should be allocated to the research or information function.
- Office space rented for core functions.
- All costs directly related to the core functions, including information, research, transformation, market access, and generic promotion.

## **TRANSFORMATION GUIDELINES**

### **INTRODUCTION**

These guidelines have been developed for use by industry trusts that manage funds inherited from the closure of control boards, and by levy administrators who manage statutory levies (introduced in terms of the MAP Act).

Over the past few years, access to markets, especially by the developing sector, has been a topical issue. Numerous studies have identified a number of common bottlenecks that hinder access to markets and the viability of farmers. These include a lack of transport, market infrastructure, market information, extension services, quality of products produced, skills development and training, and finance.

While it is the government's role to remove some of the barriers encountered by the emerging sector, they cannot address all these challenges alone. Development economists acknowledge that strategic partnerships between public and private sectors are essential for the advancement of previously marginalised individuals. It is, therefore, imperative that industries, together with the government, play a major role in the development of the participants in the second economy.

The NAMC supports the objectives of AgriBEE. As outlined in the Draft Transformation Charter for agriculture, the objectives of AgriBEE are to facilitate Broad-Based Black Economic Empowerment (BBBEE) in the agricultural sector by implementing initiatives to include black South Africans at all levels of agricultural activity and enterprises along the entire agricultural value chain.

The policy of BBBEE is not simply a moral initiative to redress the wrongs of the past; rather, it is a pragmatic growth strategy that aims to realise the country's full economic potential.

Against this background, the NAMC held a meeting with various agricultural industries on 26 May 2006. The objectives of the meeting were to:

- Understand how various industries utilise the portion of levy meant for transformation, as well as how industry trusts utilise some of their funds for transformation.
- Highlight programmes and/or projects which industries are implementing and how they benefit the emerging sector.
- Learn from various industries' experiences how the portion of levies meant for transformation as well as portions of industry trusts can be used efficiently in order to make a real impact.

At this meeting, the industries requested the NAMC to develop a guidelines document on how the portion of the levy funds allocated to transformation, as well as certain allocations from industry trusts, could be better applied for the benefit of emerging farmers. A draft guidelines document was prepared and circulated to all industries for comment. It was felt that the draft guidelines should be further debated at a follow-up workshop, and accordingly, the NAMC organised a workshop with the industry trusts and levy administrators to further debate the guidelines and to establish a common understanding on transformation. This was held on 22 June 2007. The guidelines document was accepted by most of the industries represented at the workshop and the NAMC saw their commitment as a positive step towards transformation.

This document contains a revised version of the draft guidelines incorporating comments made at the 22 June 2007 workshop. The NAMC hopes that these guidelines will direct its partners (trusts and industry organisations) towards possible alternatives for deploying funds to contribute to the transformation taking place within the agricultural sector.



## **Trust funds**

Industry trusts function independently and are the institutions entrusted with safeguarding and utilising former statutory assets for the benefit of the whole industry. The Minister is represented on the trusts due to the origin of the trust assets. Most of the trust deeds have objectives with regard to transformation and development, and the industry trusts are required to achieve those objectives. Transformation within the agricultural sector is both critical and imperative. Although the NAMC does not have the power to influence the way in which the trust funds should be utilised, we believe that it is in the best interest of a trust to contribute to the activities listed below, which are aimed at addressing transformation within the agricultural sector.

## **Statutory levies**

In an attempt to influence how the statutory levy funds should be spent, the NAMC has established a guideline that a maximum of 10 % of levies collected should be used for administrative purposes. A further guideline stipulates that approximately 20 % of the levy income should be used for transformation purposes and the remaining 70 % for activities such as research and information dissemination.

The NAMC is in a position to influence the manner in which the levy funds are spent by recommending certain conditions for approval by the Minister, and by reviewing and reporting on the levy funds to the Minister.

Such conditions include the submission of annual financial reports and annual reports on plans and future actions on transformation to the NAMC.

## TRANSFORMATION

The Draft Transformation Charter of Agriculture sets targets that the sector has to achieve within a certain timeframe. In order to address the need for transformation in the agricultural industry and to comply with the objectives of AgriBEE, the NAMC proposes that the 20 % of statutory levies earmarked for transformation be spent on some of the activities listed below.

We acknowledge that not all the activities highlighted in the Transformation Charter can be realistically implemented through the use of levy funds earmarked for transformation. We therefore propose that these funds be utilised, albeit not exclusively, for the measurable activities highlighted below. The industries may indicate other activities that address issues of transformation, which could be discussed with the NAMC when applying for levies. As the trusts were established with ministerial approval, they too should consider the activities below as a means of contributing towards transformation within the sector.

- **Enterprise development/development schemes** – Industries should design and where possible implement initiatives to assist and accelerate the development of black-owned agribusinesses.
- **Skills development and training** – Industries should design and implement initiatives that will capacitate black entrepreneurs in their respective industries.
- **Management control** – Industries should facilitate, within their membership, the incorporation of black people into management positions in enterprises and industry structures.
- **Transformation monitoring** – Information is one of the functions to be financed by all statutory funds.

Industries should make an effort to develop a database of black agribusinesses, indicating their business size and production.

The activities are described in detail below.

## **1. Enterprise development /development schemes**

Industries should design and implement initiatives to assist and accelerate the development of black-owned agribusinesses. Industries should ensure the schemes designed and implemented are sustainable and that they assist the emerging producers to gain access to markets and produce quality products. The industries could approach the NAMC to assist them in designing schemes that will benefit the emerging producers.

The Transformation Charter identifies preferential procurement as a tool to reform public sector procurement by implementing an affirmative procurement policy that will widen market access for black entrepreneurs. The industries, using the levies earmarked for transformation, should assist in breaking down barriers to market access for black entrepreneurs. Support services such as those highlighted below are core pillars of sustainable empowerment initiatives. The industries should include these support services as part of their support to the emerging sector. In order for the black entrepreneurs to consistently supply markets, the industries should provide funding for support services such as the business development services below:

- Accreditation
- Market facilitation
- Business plan development
- Mentorships
- International exposure trips

The industries should also do the following:

- Design and implement schemes that will support the emerging producers.
- Leverage funding for schemes.
- Finance the support services as listed above, but not limited to these.

## **2. Skills development and training**

Most emerging or black producers lack both the managerial and technical skills to successfully operate their enterprises. Inadequate training was identified as one of the factors that contributes to a lack of access to the markets by the emerging sector. Commercial viability in agriculture, as highlighted in the Transformation Charter, demands sustained productivity and high levels of entrepreneurship, long-term commitment, resources, and skills. Most black entrepreneurs do not have the resources to finance all the costs associated with training and capacity building.

Industries should therefore do the following:

- Use mentorship programmes to transfer specialised skills to land reform beneficiaries and black entrepreneurs, thereby supporting the creation of sustainable businesses.
- Create bursary schemes to support black learners and professionals who want to pursue careers within the agricultural sector.
- Develop strategies that will assist graduates to develop their careers.

Again, we propose that the levies earmarked for transformation should be used to fund these activities. In addition to training farmers, industries should also consider the training of black professionals in their respective industries or sub-sectors. While we note the importance of skills development in achieving transformation, we feel that industries should not focus exclusively on this activity, as has been the norm for the past several years.

## **3. Management control**

The draft AgriBEE Charter lists the level of managerial control by black individuals as important for the transformation of the sector. The industries should ensure that a substantial number of black people are trained and placed in decision-making positions within their respective industries, starting with industry structures.

The industries should do the following:

- Promote the participation of black people in decision-making positions.
- Promote the participation of black people in management positions in industry structures.
- Assist black people in acquiring the necessary skills to occupy these positions.

#### **4. Monitoring through a database**

A database of black agribusinesses and their market share should be compiled and maintained to monitor the progress of transformation. The database should be used to generate evidence for the NAMC that the functions performed and funded by means of statutory levies have, in fact, promoted transformation.

#### **TARGETS**

The NAMC consulted widely on the targets that industries should attain. After a series of consultations, and taking into account the sizes and structures of industries, it was decided that industries should set their own targets when applying for levies. These targets will then be discussed and agreed upon with the NAMC prior to consideration and approval of the levy application.

#### **CONCLUDING REMARKS**

The NAMC takes note that industry trust fund allocations and portions of levy funds earmarked for transformation may not be enough to achieve significant results in bringing black people into the mainstream economy. It is, however, important for industries, in their own contexts, to make a concerted effort to contribute towards this important broader goal. Current efforts by some industries in this regard are noted and applauded. More could, however, still be done. These guidelines are meant to assist further in directing current and future efforts by industries towards more meaningful and efficient spending on transformation.

## **DECLARATION OF AGRICULTURAL PRODUCTS**

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

- Animal and plant propagation material
- Aquacultural products
- Bee and honey products
- Birds and poultry
- Bulbs
- Tubers
- Roots and ornamental plants
- Coffee
- Eggs
- Flowers
- Fruit and nuts
- Deciduous fruit (being apples, apricots, nectarines, peaches, pears, plums, and table grapes) including dried fruit
- Cattle, game, goats, pigs, and sheep, as well as their products
- Grains, including barley, durum wheat, maize, oats, rye, and sorghum
- Grasses and hay
- Herbs and spices
- Horses
- Juice of grapes and products derived therefrom
- Natural fibres
- Legumes

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- Milk and dairy products
- Mushrooms
- Meat
- Oilseeds including canola
- Sugar cane
- Tobacco
- Tea
- Vegetables
- Olives and olive oil
- Potatoes including table potatoes, seed potatoes, processed potatoes or any other form of potatoes

## COMPARISON OF STATUTORY MEASURES APPLICABLE IN SOUTH AFRICA AND AUSTRALIA

Issue	South Africa	Australia
<b>1. Introduction and background</b>		
Legislation	The Marketing of Agricultural Products Act, No 47 of 1996 (MAP Act), which is an Act of Parliament, governs statutory measures in South Africa. No other legislation (Acts) is applicable on statutory measures. The MAP Act covers all agricultural products, provided that the relevant products are declared ( <i>via</i> a Government Notice) as agricultural products for purposes of the MAP Act. The different statutory measures that were approved by the Minister of Agriculture, Forestry and Fisheries, were promulgated through different Government Notices.	<p>Australia has a number of Acts that were promulgated for the purpose of imposing, collecting and disbursing levies on primary agricultural products. They include the following:</p> <ul style="list-style-type: none"> <li>• Imposition legislation – seven Acts</li> <li>• Collection legislation – two Acts</li> <li>• Disbursement legislation – fifteen Acts – most of these Acts have subordinate regulations that set out further details.</li> </ul> <p>The <i>Commonwealth of Australia Constitution Act</i> (the Constitution) permits the Commonwealth to make laws with respect to taxation/statutory levies. This forms the basis for all statutory levies in Australia.</p>
The role of the National Agricultural Marketing Council (NAMC) in South Africa and the role of the Levy Revenue Services (LRS) in Australia	Before 1996, the NAMC was an organisation within the South African Government Department of Agriculture, Forestry and Fisheries. Since the promulgation of the 1996 MAP Act, the NAMC has become a statutory body which operates in terms of this Act. One of the main functions of the NAMC is to advise the Minister of Agriculture, Forestry and Fisheries on the application,	The LRS is an organisation within the Australian Government Department of Agriculture, Fisheries and Forestry. The LRS is responsible for both the collection and distribution of levies to the relevant Research and Development Corporations, Marketing Agencies, Animal Health Australia, Plant Health Australia and the National Residue Survey. There are nine government bodies and eleven private companies which receive levies from the LRS. The



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	<p>amendment and continuation of statutory measures. The NAMC has only one office in Pretoria and employs 35 people; only three people are involved in statutory measure investigations. It is important to note that the NAMC only plays a facilitating/advising role regarding the implementation of statutory measures while industry bodies are mandated by the Minister to administer statutory measures for the relevant agricultural products.</p>	<p>LRS is also responsible for the distribution of the Australian Government's matching research and development contributions. The LRS employs 47 people and has six offices across Australia, namely in Canberra (Central Office), Adelaide, Brisbane, Melbourne, Perth and Sydney.</p>
<p>The size of the agricultural sectors in both countries</p>	<p>For the 2007/8 financial year, the gross value of agricultural production in South Africa was estimated at R120.2 billion, of which 33 % was field crops, 23 % was horticulture and 44 % was animal production. The size of agricultural land is approximately 101 million hectares.</p>	<p>For the 2007/8 financial year, the gross value of agricultural production in Australia was estimated at AUD\$43.6 billion, of which 18 % was field crops, 26 % was horticulture and 56 % was animal production. Agricultural land is approximately 460 million hectares and the agricultural sector contributes approximately 3 % to their GDP.</p> <p>Exchange rate R7 = AUD\$1</p>

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Issue	South Africa	Australia
<b>2. What is regarded as a statutory measure</b>		
Types of statutory measures	<p>The MAP Act makes provision for four statutory measures, namely:</p> <ul style="list-style-type: none"> <li>• Statutory levies</li> <li>• Control of exports of agricultural products</li> <li>• Records &amp; returns</li> <li>• Registrations</li> </ul> <p>An agricultural industry normally applies for three statutory measures, namely levies, records &amp; returns, and registration (these three measures complement each other). The other statutory measure provided for in the MAP Act, namely control of exports is currently not being used.</p>	<p>Apart from statutory levies, the lodgement of levy returns (the forms on which the provision of information is required to establish liability) is also a statutory requirement.</p> <p>Levy related legislation requires:</p> <ul style="list-style-type: none"> <li>• Lodgement of levy returns and levy payments by the due date</li> <li>• Keeping of records of particular information for five years</li> <li>• Providing information upon request</li> <li>• Where levy is collected by an intermediary, they are required to provide payers with a notice that the levy has been paid</li> </ul> <p>Note that matters such as export control are dealt with separately from the levy system. The legislation referred to above is only relevant to the imposition, collection and disbursement of the particular levies which are administered by the LRS.</p>

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Issue	South Africa	Australia
<b>3. The application for statutory levies</b>		
Why there is a statutory levy on an agricultural commodity	<p>Statutory levies are used to finance generic functions such as research, information, promotions, and transformation. A statutory levy must promote the objectives of the MAP Act, which are as follows:</p> <ul style="list-style-type: none"> <li>• To increase market access for all market participants</li> <li>• To promote the efficiency of the marketing of agricultural products</li> <li>• To optimise export earnings from agricultural products</li> <li>• To enhance the viability of the agricultural sector</li> </ul>	<p>Statutory levies are used to fund activities such as research and development (R&amp;D), marketing and promotion, residue testing, and plant and animal health programmes. Levies are introduced and administered by the Australian Government (LRS) at the request of the relevant industries. A levy may only be introduced to address market failure and then the benefits must exceed the levy costs. A market failure is the driving force behind an application for a statutory levy. Market failure is when a private investor would not profit from supplying services to an industry, for example research projects. Where there is failure to demonstrate a net industry benefit and/or market failure, statutory levies will not be supported and approved by the Australian Government. The relevant industry is required to provide relevant evidence in their proposal for a new levy or a change to an existing levy that net benefits (for industry and public) exceed the net costs of the levy.</p>
The application process	<p>Before an industry body can apply for a statutory levy, they need to lobby the support from all directly affected groups (DAGs) in the specific industry. The MAP Act stipulates that a DAG must apply to the Minister for Agriculture, Forestry and Fisheries for the introduction or continuation of statutory levies. The Minister shall refer the application to the NAMC for investigation, which in turn will make a recommendation to her within 60 days. The Minister has to approve the statutory levies by signing Notices for publishing in the Government Gazette. The NAMC arranges for these Notices to be published in the Government Gazette.</p> <p>The process to get approval, from the date the application is made to the Minister, could take approximately eight months.</p>	<p>Generally, an industry body identifies the need for a statutory levy in order to respond to a market failure which requires collective industry funding. The industry body will then consult its members and the Department. Potential levy payers will also be given an opportunity to express their views. If members support the proposal, the industry body submits an application to the Australia Government for approval. If the application is approved, the Government draft legislation to implement the levy. This could take up to five or six months, or longer.</p> <p>The Government could also impose a levy in the public's interest, a levy and review it after a specified period. The Minister for Agriculture, Fisheries and Forestry approves a levy but must seek further approval for the enacting Act or Regulations from the Parliament of Australia or the Federal Executive Council respectively.</p>

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Government's role	To liaise with industries to ensure sufficient support, to facilitate the process to establish the statutory levies, and to then allow industries to administer the levies.	To liaise with industries requesting a levy, to implement an effective collection system at minimum costs, to be administered by the LRS.
Who pays the levy	Levies are either paid by producers or by other role players in the value chain. The levies are normally collected at a point where there are a minimum number of role players to make the administration process more effective.	Levies are usually paid by the producers. If levies are paid by an intermediary such as an abattoir or agent, the levies are recovered from the producer.
Any exemptions with regard to the payment of levies	In South Africa, the informal sector does not normally pay statutory levies, but as soon as their products are traded in the formal sector, the levy has to be paid. In some cases, welfare organisations may apply for exemption.	In some cases, the smaller producer is exempted from the payment of levies.
No statutory funding	Statutory levies must not be used to fund industry organisations, but if they (industry organisations) perform certain generic functions, they are then funded for these functions.	Statutory levies must not be used to fund agri-political activities.
Voluntary funding	Industry bodies should have explored the possibility to collect funds on a voluntary basis, especially in the case where there is overwhelming support for a statutory levy.	If a group can organise and finance a programme, there is no case for government to impose a statutory levy.
Levy principles and guidelines	The NAMC developed policies and guidelines for the administration of statutory measures. The NAMC developed policy documents regarding administration costs, promotion, and transformation. The NAMC also has a guideline that 70 % of levy income should be used for functions such as research, information, promotions, etc., that approximately 20 % be used for transformation, and that a maximum of 10 % be used for administration costs.	The Australian Government developed levy guidelines and principles to help industry bodies to prepare an application. The Government introduced twelve levy principles that must be met when industries apply for a new levy or when they apply to amend an existing levy. Some of the levy principles relate to the support for an application, any opposition to a levy, and the business plan. A levy must relate to a function for which there is a market failure, etc.

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Issue	South Africa	Australia
<b>4. Evaluation of statutory levies</b>		
Business plan	<p>As part of their business plan, applicants have to indicate, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> <li>• How levy payers and industry will benefit</li> <li>• The estimated amount that will be collected</li> <li>• How the collected funds will be spent</li> <li>• Who the administrator will be</li> <li>• Proof of support</li> <li>• Proof that proposed levies will not exceed 5 % of the average price (up to three years) of the product at the first point of sale</li> </ul>	<p>Industry organisations should indicate:</p> <ul style="list-style-type: none"> <li>• How levy payers and industry in general will benefit</li> <li>• The estimated amount that will be collected</li> <li>• How the collected funds will be spent</li> <li>• How the levies will be calculated</li> </ul>
Level of support	<p>The NAMC has a guideline that two thirds of producers and production have to support an application for statutory measures before we recommend to the Minister for Agriculture, Forestry and Fisheries to approve the application. If a group of major producers is objecting, it is unlikely that the NAMC will recommend the application for the Minister's approval.</p> <p>Apart from the relevant industry that should lobby support from its members and non members, the NAMC has developed and maintained a register of directly affected groups (DAG's) for each commodity. Once an application is received for a specific commodity, the NAMC will also contact all DAGs for that commodity to request their comments regarding the application. All the comments will be incorporated into the NAMC's recommendation to the Minister.</p>	<p>Majority support (above 50 %) is required, provided a comprehensive consultation process was followed with all potential levy payers. Majority is defined as:</p> <ul style="list-style-type: none"> <li>• 50 % plus one of the voters</li> <li>• 50 % plus one of production of voters</li> </ul> <p>In other words, Australia has two types of voting criteria, namely one vote per producer or a number of votes in terms of production volumes. An industry body must have a voting register of all potential levy payers in order to consult them and to lobby their support.</p>

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<p>Referendum</p>	<p>A referendum is not held with every application as the NAMC decides if it is necessary. A referendum will only be held if the industry is not unanimous in their support for the application. The NAMC in conjunction with the national representative body will administer the referendum. The completed referendum forms will be processed by the NAMC. Based on the outcome of the referendum, the NAMC will then decide whether to recommend the application to the Minister for approval or not.</p>	<p>A referendum is requested when there are insufficient industry structures for a comprehensive consultation process. Preference is given to a ballot. The Australian Electoral Commission, State Electoral Commission or a private company can conduct a ballot. An industry body may seek permission to conduct a ballot not utilising these bodies on the grounds of cost. However, they must have an independent returning officer to ensure the integrity of the ballot.</p>
<p>Objections</p>	<p>The NAMC has an obligation to publish details of an application in the Government Gazette and other relevant media in order to bring the application to the attention of all directly affected groups. The DAGs have to respond in writing to the NAMC within two weeks following the invitation for comments. If a big producer (for example 10 % of market share) objects, the NAMC could decide not to recommend the application to the Minister for approval. Normally, the Minister accepts the NAMC's recommendation.</p>	<p>Comments/objections have to be submitted within six weeks following formal lodgement of proposal. The reasons for objection and extent (numbers) of objectors should be indicated. Frivolous or vexatious objections will not be considered.</p>

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Issue	South Africa	Australia
<b>5. Defaulters and legal action</b>		
Penalties for late payments of levies	In terms of other existing legislation, interest is payable on outstanding levies. The current prescribed rate is 15.5 % per annum, but could be amended from time to time.	A penalty of 2 % per month compounding is payable to the LRS on unpaid amounts.
Debt recovery	Industry levy administrators are appointed by the Minister to collect levies. Levy administrators could send reminders, letters of demand or could impose legal action against those who fail to adhere to the requirements of statutory measures. By the end of the 2007/8 financial year, the average levy collection rate for all industries collecting statutory levies, was estimated at 99 %.	The LRS regional offices could take various actions to recover outstanding debts, ranging from informal contact, through negotiating repayment proposals, or instigating criminal and civil legal action. By the end of the 2006/7 financial year, the levies outstanding were just 0.12 % of levies payable.

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Issue	South Africa	Australia
<b>6. Review of statutory levies implemented</b>		
The extent of statutory levies in South Africa and Australia	In South Africa, thirteen different levies were promulgated to be administered by the relevant industry bodies who are responsible for the collections and allocation of statutory levies.	The LRS collects over 60 different levies from a client base of over 10 000 levy payers. The LRS administers, collects and disburses levies on a cost recovery basis on behalf of industries. The LRS usually collects levies at the first point of sale or further along the process chain, depending on an industry's preference or circumstances. The LRS pays all levies and charges into the Consolidated Revenue Fund, without deduction, before disbursing them.
Total levies collected and distributed	In the 2007/8 financial year, the different industry bodies collected R222 million. These funds were spent as follows: <ul style="list-style-type: none"> <li>• Administration (7 %)</li> <li>• Research (32 %)</li> <li>• Information (17 %)</li> <li>• Transformation (23 %)</li> <li>• Export promotion (12 %)</li> <li>• Local promotion (5 %)</li> <li>• Other (4 %)</li> </ul>	In the 2007/8 financial year, the LRS collected and distributed AUD\$621 million in levy income and paid AUD\$194 million to match Commonwealth research levies. These funds were spent as follows: <ul style="list-style-type: none"> <li>• Administration (LRS) AUD\$5.2 million (1 %)</li> <li>• Research</li> <li>• Export promotion</li> <li>• Local promotion</li> <li>• Other</li> </ul>
Surplus funds	Levies are approved for a period four years. If an industry wants to continue with levies, they need to apply for a new term of four years. Any surplus levy funds after a four-year period shall be utilised in a manner determined and approved by the Minister.	The levies collected by the LRS are paid to the relevant levy recipient (industry service) bodies who retain funds indefinitely. If an industry believes it has sufficient funds being held in surplus, it can develop a proposal to the government to reduce or cease the levy, either for a set period or indefinitely. Legislation requires that funds collected from a particular commodity must be spent on that commodity. For example, apple levy must be spent on apple projects. Cross-subsidisation is not permitted.



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Period of validity	All statutory levies are approved for a period of up to four years. An industry could apply for the continuation of statutory levies which means that levies could be applicable for an indefinite period of time. With each application, the NAMC has to make sure that there is sufficient support for the proposed statutory levy.	The majority of statutory levies are approved for an indefinite period. However, the government or industry may decide to set a specific levy rate for a specified period. Sunset clauses have been used for a small number of levies, generally where the government has used levies to collect a set amount of money. In this instance, the levy ceases once sufficient funds have been collected.
Accountability	Financial statements of levy administrators must be audited by the Auditor-General (AG). The Reports of the AG have to be submitted to Parliament. In practice, the NAMC will collect these reports and submit them in a bundle to Parliament (not individually).	Organisations that are receiving levy funds are accountable to levy payers and to the Australian Government. All organisations must submit financial statements and performance reports to the Australian Government.
Levies as a percentage of the value of agricultural products	In the 2007/8 financial year, the different industry bodies collected R222 million. The total value of levied products at the first point of sale was approximately R42 billion, which means statutory levies was approximately 0.5 % of the total production value of agricultural products. If the gross value of agricultural production R120.2 billion, it means that approximately 35 % of agricultural products was subjected to a statutory levy. Two of the larger commodities in terms of value, namely poultry/eggs (21 %) and maize (12 %), did not collect a statutory levy.	In the 2007/8 financial year, the gross value of agricultural production in Australia was estimated at AUD\$43.6 billion. If it is assumed that all agricultural products in Australia have a statutory levy and that the total levy income of AUD\$621 million, then statutory levies were approximately 1.4 % of the value of agricultural products at the first point of sale.
Tax on levies	Value Added Tax (VAT) of 14 % is payable on statutory levies.	Statutory levies administered by the LRS are exclusive of the GST (Goods and Services Tax).

## TRANSFORMATION PROJECTS FINANCED BY STATUTORY LEVIES

Industry	Project name, objective and cost	Brief description
<p><b>Citrus</b></p> <p>An amount of approximately R3.5 million (12.2 % of levy income) was spent on transformation projects.</p>	<p>The Citrus Academy – R1 177 000</p>  <p>Transformation Manager Activities – R2 082 458</p>  <p>Mentorship – R196 729</p>	<p>The Citrus Academy is a Section 21 company that was established by the Citrus Growers’ Association (CGA) of Southern Africa to create an enabling environment for skills development within the Southern African citrus industry. The Academy addresses the challenges of low skills levels, scarce and critical skills, employment equity, land transition and quality skills delivery within the Southern African citrus industry.</p> <p>The <b>Citrus Academy</b> was formed at the beginning of 2005. It was originally linked to the Transformation process but is now a separate entity. The Citrus Growers’ Association recognised the shortage of skills and technical capacity as one of the major threats to the ability of the South African citrus industry to maintain its competitive edge in world markets. Consequently, there has been an increasing participation in the industry by previously disadvantaged individuals through Black Economic Empowerment and land redistribution initiatives. It has been found that PDIs require, in most cases, development of basic literacy, technical and business management skills to enable them to establish sustainable and profitable farming enterprises. More can be read about the Citrus Academy by logging onto their website at <a href="http://www.citrusacademy.org">www.citrusacademy.org</a>.</p> <p>In 2009, 49 students were awarded bursaries, studying at fourteen different institutions. Scarce and critical skills covered in the selection include entomology, plant pathology, biochemistry, hydro-science, soil science, agricultural management and plant production.</p> <p>In October 2008, the CGA Transformation Manager, Andile Maxwell Hawes, resigned from the CGA to take up a post with the National Department of Agriculture. He has been replaced by Lukhanyo Nkombisa (031 765 2514 or <a href="mailto:Lukhanyo@cga.co.za">Lukhanyo@cga.co.za</a>).</p> <p>The DAFF has joined the CGA in an initiative aimed at transferring skills from established citrus growers to new entrants in the industry. The DAFF has provided funding while the CGA has identified mentors and mentees, established agreements with these parties, and monitored progress on these farms. Dr Richard Bates was contracted by the CGA to administer and monitor progress. The CGA has established a manual that guides mentorship activities. This manual provides detail on the roles and responsibilities of all those involved in the mentorship programme.</p>

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<p><b>Cotton</b></p> <p>R1 188 867 (62 % of total levy income) was spent on transformation.</p>	<p>Small-scale farmer representative in cotton structures. The cost for this programme was R247 035.</p> <p>The amount spent by the cotton industry on small-scale farmer training during the 2008/9 financial year was R242 762. To date, approximately 738 small-scale farmers have attended these courses.</p>	<p>The small-scale cotton farmers are represented on Cotton SA and relevant sub-committees of Cotton SA. One such sub-committee is the Small Scale Farmers' Forum, whose main objective is to increase market access for the small-scale cotton farmer. The small-scale farmer representative on the Board also played an important facilitating role with regard to the Makhathini development program and the rescuing of the Makhathini cotton gin for small-scale farmers. The direct cost arising from this activity amounted to R247 035. The contact details of the small-scale farmer representative on the Board of Directors and the current Vice-Chairman of Cotton SA are as follows:</p> <table data-bbox="824 459 1630 560"> <tr> <td>Mr Ndlela Phenias Gumede</td> <td>Tel</td> <td>035 572 1236</td> </tr> <tr> <td>P O Box 44</td> <td>Fax</td> <td>035 572 1236</td> </tr> <tr> <td>JOZINI</td> <td>Cell</td> <td>082 762 6201</td> </tr> <tr> <td>3969</td> <td></td> <td></td> </tr> </table> <p>One of the major constraints impeding growth in the emerging farming sector up to now is the lack of knowledge and expertise among small-scale farmers relating to cotton growing. Cotton requires a good deal more input and management skills than most other field crops traditionally grown by smallholders. In 2001, Cotton SA established a formal training program at the Lowveld College of Agriculture at Nelspruit, where approximately 50 small-scale farmers were trained annually from 2001 to 2003. It soon became apparent, however, that the training capacity had to be increased in order to reach the production objective of the Cotton Sector Strategy Plan, namely that emerging farmers should contribute on average 35 % of the national cotton crop by 2014. During the reporting season, training modules for organic cotton cultivation have been developed and will be accredited by AgriSeta in the same format as the existing conventional cotton training modules with the aim to implement these in the following season. During the reporting year, four extension officers from the Limpopo Province as well as 54 small-scale farmers from Mpumalanga (Tonga) and the Limpopo Province enrolled for training. In total, 738 farmers have attended these training courses since their inception. The main elements of the training program are the following:</p> <ul style="list-style-type: none"> <li>• The course curriculum consists of four modules, lasting five days each. Modules 1 and 2 are presented in October and December of each year, with the other modules following in the next year. The four modules are:             <ul style="list-style-type: none"> <li>○ Introduction, soil preparation, and planting.</li> <li>○ Plant protection, pests, diseases, and weeds.</li> <li>○ Pre-harvest crop preparation, harvesting, and grading.</li> <li>○ Financial management.</li> </ul> </li> <li>• The courses are theoretical as well as practical, the latter making up about 60 % of course content.</li> <li>• Experts in each field are drawn from various sectors to impart their expertise to the group in training.</li> <li>• Although financial management is dealt with in Module 4, each module also covers financial aspects.</li> <li>• Lectures are presented as far as possible in the farmers' own language, or otherwise in English. In the case of illiterate farmers, extension officers may accompany them to provide assistance.</li> <li>• The aim is not to push as many farmers as possible through courses, but to start with core groups, who can then impart their knowledge to their fellow farmers.</li> </ul>	Mr Ndlela Phenias Gumede	Tel	035 572 1236	P O Box 44	Fax	035 572 1236	JOZINI	Cell	082 762 6201	3969		
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	<p>Cotton Strategy Plan. The total direct expenditure by the cotton industry on the Cotton Strategic Plan during 2008/09 was R356 094.</p> <p>The Master Mentorship Programme for small-scale cotton farmers was continued by Cotton SA in 2008/09. R342 976 was spent on this programme.</p>	<p>Cotton SA has been tasked to oversee the implementation process of the National Cotton Section Strategy Plan. One of the main objectives of the National Cotton Section Strategy Plan, developed with the initiative of Cotton SA and the government with the participation of all role-players, is to broaden participation and enable small producers to contribute on average 35 % of the national cotton crop by 2014.</p> <p>Mr Peter Komane was appointed towards the end of 2007 as Cotton Strategy Implementation Manager. His main task was to establish and expand small-scale farmer cotton production in the different production regions. He continued with these activities in 2008/09, which include:</p> <ul style="list-style-type: none"> <li>• Assisting in the arrangement of the marketing of small-scale farmer cotton produced in the 2008/09 production year in Makhathini (KZN) and Tonga (Mpumalanga) due to the closing down of the Makhathini gin.</li> <li>• Providing assistance to small-scale farmers in the different production areas to form cotton farming associations and forums.</li> <li>• Identifying farmers and land planted to cotton in the 2008/09 production year (as set out below) and providing general assistance in this regard.</li> <li>• Drawing up proposals and having meetings with local governments in order to make preparatory arrangements for the 2009/10 production year and to obtain input support.</li> </ul> <p>During 2008/09, Cotton SA also played an important facilitating role with regard to the Makhathini development program and the retaining of the Makhathini cotton gin for small-scale farmers. Although the Makhathini cotton gin has not yet been secured for Makhathini farmers, Cotton SA is continuing with negotiations to achieve this.</p> <p>Cotton SA's Master Mentorship Programme, established in the 2006/07 season and funded by the Department of Agriculture, continued with its activities in the 2008/09 season. The Master Mentorship Program provides an initial number of mentors who can support and impart knowledge and practical skills to small-scale farmers, in order for the latter to produce cotton in a sustainable and profitable manner. In the long-term, the project will present small-scale farmers with an opportunity to farm commercially, moving away from subsistence farming, being supported by a skilled extension workforce, with access to information and technology and the opportunity to share their problems and experiences with other farmers. Mentors involved in the program report via a master mentor to the Co-ordinator of the Master Mentorship Programme.</p>
<p><b>Dairy</b></p> <p>The dairy industry spent approximately R4.7 million (15.9 % of levy income) on transformation.</p>	<p>Empowerment in the primary industry sector – R1 753 000</p> <p>Empowerment in the primary industry sector – R150 000</p>	<p>Training, technology transfer, skills development with mentorship of previously disadvantaged individuals in the primary livestock/dairy sector. (Project manager: Institute for Dairy Technology). The objective of the project is the transformation of previously disadvantaged individuals (farm workers and farmers) through training and technology transfer.</p> <p>Mentoring of developing dairy farmers in the primary sector. (Project manager: Centre for Producer Development). The Elim dairy project began in September 2007, milking 47 cows and producing 700 litres of milk per day. By the end of 2008 there were 80 cows in milk producing 17.5 litres per cow per day (approximately 1 400 litres of milk per day). The main objectives of the project are to become a profitable unit and to supply milk to the settlement at a reduced price. In order to achieve this, the following goals were set, namely to:</p> <ul style="list-style-type: none"> <li>• Expand the herd to at least 150 cows in milk.</li> <li>• Establish more pastures.</li> <li>• Facilitate co-ownership to members of the community.</li> </ul>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

	<p>Ubisi Mail – R156 000</p> <p>The Milk SA Basic Guide to Dairy Farming – R175 886</p> <p>Empowerment in the secondary industry sector – R2 218 859</p>	<ul style="list-style-type: none"> <li>• Effect good herd health programmes.</li> <li>• Implement effective financial controls.</li> <li>• Practise effective communication with the community.</li> </ul> <p>The main objective of the project 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. During 2009, Ubisi Mail achieved all of its goals, as set per its project outline to Milk SA. The magazine was produced in its normal A5 format, consisting of 52 pages, with various sections covering different aspects of mainly dairy farming.</p> <p>The objectives of the project were, <i>inter alia</i>, to:</p> <ul style="list-style-type: none"> <li>• Empower previously disadvantaged dairy farmers by supplying them with the knowledge needed to become and remain a dairy farmer.</li> <li>• Underline the role that Milk SA plays in the promotion of dairy farmer development and in the development of sound milking practices.</li> <li>• Supply smallholder dairy farmers with the necessary foundation to expand and aspire towards becoming commercial dairy farmers.</li> <li>• Promote and establish the concepts of professional dairy farming.</li> <li>• Promote hygienic milking practices.</li> <li>• Promote sound animal health practices.</li> <li>• Educate previously disadvantaged dairy farmers about the health benefits of milk and other dairy products and promote general health and well-being.</li> <li>• Empower commercial farmers to train their workers and other emergent farmers in proper milking practices.</li> </ul> <p>The objective of the project is the empowerment of previously disadvantaged individuals in the secondary dairy industry sector through training. This project was described as “Transformation: Secondary Industry Training”. The activities included but were not limited to the following:</p> <p>Project 1: Facilitation of continually improved provision of and participation in accredited workplace training through maintenance and improvement of learning standards, materials, aids and services.</p> <p>Project 2: Promotion of the use of available learning materials and training aids – aimed at different levels of workplace training – the available learning interventions; services and training management tools available, and the collection of data for analysis and reporting of progress. This objective was also supported by a number of elements.</p> <p>Project 3: Creating awareness at schools and colleges – with specific reference to agricultural based curriculum– of careers in the secondary dairy industry and available workplace and tertiary training in assistance of contact between processors and such schools and colleges.</p> <p>Project 4: Strategic involvement in Tertiary Education to ensure a ‘future pipeline’ of Dairy orientated Food Scientists/Technologists for industry.</p> <p>In 2009, the Minister approved the current statutory levies under the condition that the dairy industry appoints a Transformation Manager to drive the empowerment programmes in the dairy industry which are funded by statutory levies. In August 2009, the Board of Directors appointed Mr Godfrey Rathogwa to this position.</p>
<p><b>Deciduous fruit and dried fruit</b></p>	<p><b>The deciduous fruit industry’s transformation projects are based on the following pillars:</b></p>	<p>A summary of the activities in terms of the transformation programmes are as follows:</p> <p>Land Reform</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p>Deciduous fruit: R6.5million or 18.2 % of levy income</p> <p>Dried Fruit: R0.4 million or 18 % of total levy income</p>	<p>- Land reform – R2 100 761</p>  <p>-Training – R419 026</p>  <p>-Economic Development – R367 590</p>  <p>-Social Development – R1 073 077</p>  <p>-Technical Support/Research and Development – R2 509 954</p>	<ul style="list-style-type: none"> <li>• The Deciduous Fruit Development Chamber – a strategic mechanism to expedite the integration and participation of emerging and other black producers in the formal structures of the Deciduous Fruit Industry and ultimately the mainstream economy</li> <li>• Farmer profiling - for the roll-out of appropriate skills development and capacity building plans</li> <li>• Mentorship</li> <li>• Institutional development and support</li> <li>• Market access</li> </ul> <p>Training</p> <ul style="list-style-type: none"> <li>• Bursary Scheme</li> <li>• Mentoring</li> <li>• Employment assistance</li> <li>• Youth Development, Career Opportunities and School Tours</li> <li>• Top of the Class</li> </ul> <p>Economic Development</p> <ul style="list-style-type: none"> <li>• Deciduous Fruit Industry Planting Project ("Tree Project")</li> <li>• Fruit Distributors' Association</li> <li>• Equal access project – Farm Workers</li> <li>• Bien Donne Expo</li> <li>• DFI Workers' Trust</li> </ul> <p>Social Development</p> <ul style="list-style-type: none"> <li>• Creche programme</li> <li>• Aftercare Programme</li> <li>• Community Development</li> <li>• Farm Worker Wellness Programme</li> <li>• Support Care Worker Programme</li> <li>• Community Based Counselling Centres</li> </ul> <p><b>Technical Support/Research and Development</b></p> <p>A primary objective of DFPT Research is “to help deciduous fruit growers of SA become more successful through technology”. DFPT Research achieves its objective through a network of participants that have a footprint throughout the deciduous fruit industry of South Africa. The Board of directors is comprised of three grower representatives of the pome fruit industry, two grower representatives from the table grape industry, one grower representative from the stone fruit industry, two co-opted members from the Deciduous Fruit Development Chamber, and two co-opted board members.</p>
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## STATUS OF STATUTORY MEASURES – 2009 SURVEY

		<p>The focus areas of their primary objective is:</p> <ul style="list-style-type: none"> <li>• Understanding grower needs/obstacles</li> <li>• Trade and market access</li> <li>• Managing research programmes more effectively</li> <li>• Developing technology capacity</li> <li>• Being part of the international research community</li> <li>• Accessing alternative funding sources</li> <li>• Technology transfer</li> <li>• Technical services</li> </ul>
<p><b>Pork</b></p> <p>R2 042 994 (15.2% of total levy income) was spent on transformation.</p>	<p>Training of Extension Officers and Animal Health Technicians</p> <p>Training of Producers</p> <p>Farmers days / Study groups</p> <p>Mentorship</p> <p>Western Cape Development</p> <p>Doornspruit Project</p> <p>North West projects</p> <p>Farm Visits by Transformation Managers</p> <p>Sibuza project</p>	<p>Animal Health Technicians and Extension Officers of the Provincial Departments of Agriculture were trained to enable them to advise and assist emerging pig producers. During the report year, 172 Animal Health Technicians and Extension Officers were trained.</p> <p>39 producers attended training courses on pig production. The aim of the training was to expose the producers to all facets of pig farming and to transfer skills to improve their operations.</p> <p>Twenty Farmers' Days/study groups were organised. Six study groups were started and SAPPO arranged with experts to give presentations.</p> <p>The mentorship programmes continued. Six Mentors attended to 30 mentees. The mentors visited units on a monthly basis and mentees were assisted in improving their management practices.</p> <p>A program to assist emerging pig producers in the Western Cape continued. A pig veterinarian was contracted by SAPPO to visit small units on a regular basis. The aim of this program was to increase the awareness amongst small and rural herd owners of the vital necessity to protect and care for their pigs. Small pig producers were encouraged to upgrade their enterprise to commercial operations which are sustainable and profitable.</p> <p>SAPPO assisted in the development of this 80 out-grower pig unit. A role-player in the industry donated R1 million to kick-start this project and weaner pigs and feed were procured monthly. This unit sold 80 pigs on a monthly basis to a communal abattoir. High quality slaughter pigs were produced. A Co-operative was registered to run and manage this unit. SAPPO trained the workers of this unit and assisted the unit on production and financial management. A veterinarian paid monthly visits to the unit and the cost of these visits was paid for by SAPPO. This project can be classified as a small commercial unit.</p> <p>Five out-grower units were started in the North West. Each unit markets 40 slaughter pigs on a monthly basis. Training was conducted and monthly mentoring continues. Financial grants from role-players were organised to start these projects and the units reached the stage where they purchase weaners and feed from their own funds.</p> <p>The Transformation Manager visited 34 small-scale farmers. New entrants were assisted with the completion of business plans and plans for the development units. Cost for these visits is part of the remuneration of the Transformation Manager.</p> <p>SAPPO decided to assist a small-scale producer in the Eastern Cape to improve her unit. The twenty sow unit expanded to a 50 sow unit. This unit will be</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

	<p>Bogatsu project</p> <p>Manual for emerging pig farmers</p> <p>TV programme on pig production</p> <p>Articles on pig production</p>	<p>used as a demonstration unit in the Eastern Cape. Building plans were prepared and site visits done. The cost of the expansion is estimated at R800 000. Construction has been delayed as an environmental impact study has to be conducted. Cost for the building plans and environmental study amounted to R50 000.</p> <p>Financial support for this 100 000 sow unit at Tarlton was secured. Production mentoring, financial mentoring, and veterinary mentoring are provided.</p> <p>The manual on pig production published by SAPPO was distributed to new entrants.</p> <p>Twelve training programmes for small-scale producers were held during the report year. SAPPO was responsible for the cost of the pig veterinarian who presented the training modules.</p> <p>A number of articles on pig production was published in Nu-Farmer (twelve) and Farming SA (eight).</p>																								
<p><b>Potatoes</b></p> <p>R4.8 million (22.2 % of levy income) was spent on transformation.</p>	<p>Projects aimed at the emerging sector amounted to R2.1 million.</p>	<p>For the 2009 financial year, potato SA financed a number of transformation projects. A short summary of the projects are as follows:</p> <table border="1" data-bbox="728 694 1792 1260"> <thead> <tr> <th>Project description</th> <th>Progress</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>SANDVELD – trial, training</td> <td>Farmers trained in September 2009, project well implemented.</td> <td>221 832</td> </tr> <tr> <td>KZN, East &amp; NE Cape</td> <td>Trials planted, information days held, training done.</td> <td>401 271</td> </tr> <tr> <td>Trials &amp; training – colleges</td> <td>Trials planted, information days held, training done. Students well engaged.</td> <td>103 433</td> </tr> <tr> <td>Mentorship</td> <td>Programme running well with partner and mentor.</td> <td>99 999</td> </tr> <tr> <td>Learning material development</td> <td>Basic potato manual for start-ups developed.</td> <td>100 867</td> </tr> <tr> <td>BEE baseline study &amp; consulting</td> <td>Preliminary study and pointers done.</td> <td>63 000</td> </tr> <tr> <td>Bursaries – tertiary pipeline</td> <td>2009 mid year results to be evaluated by committee, students doing holiday work every vacation.</td> <td>160 500</td> </tr> </tbody> </table>	Project description	Progress	Amount	SANDVELD – trial, training	Farmers trained in September 2009, project well implemented.	221 832	KZN, East & NE Cape	Trials planted, information days held, training done.	401 271	Trials & training – colleges	Trials planted, information days held, training done. Students well engaged.	103 433	Mentorship	Programme running well with partner and mentor.	99 999	Learning material development	Basic potato manual for start-ups developed.	100 867	BEE baseline study & consulting	Preliminary study and pointers done.	63 000	Bursaries – tertiary pipeline	2009 mid year results to be evaluated by committee, students doing holiday work every vacation.	160 500
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## STATUS OF STATUTORY MEASURES – 2009 SURVEY

	<p>Transformation Manager's Division, salaries, travel and subsistence costs, meetings as well as direct cost – R1.4 million</p> <p>Transformation Coordination – R1.3 million</p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">Internships &amp; workplace experience</td> <td style="width: 40%;">Good placements for candidates.</td> <td style="width: 30%; text-align: right;">218 991</td> </tr> <tr> <td>Farm-based training &amp; consulting</td> <td>Project started in Sandveld and Ceres Systems improved, work in progress.</td> <td style="text-align: right;">688 756</td> </tr> <tr> <td>Agriculture industry co-operation</td> <td>Other co-operation avenues pursued – less costly.</td> <td style="text-align: right;">1 400</td> </tr> <tr> <td><b>TOTAL</b></td> <td></td> <td style="text-align: right;"><b>2 060 049</b></td> </tr> </table>	Internships & workplace experience	Good placements for candidates.	218 991	Farm-based training & consulting	Project started in Sandveld and Ceres Systems improved, work in progress.	688 756	Agriculture industry co-operation	Other co-operation avenues pursued – less costly.	1 400	<b>TOTAL</b>		<b>2 060 049</b>	<p>The Emerging Farmer Development Programme is aimed at establishing black potato farmers within the main stream of South African agriculture. Technology is a basic necessity for this process. Apart from communicating existing information to these farmers, available technology has to adapt in some instances to adhere to the specific needs of these farmers. Trials are also used as a vehicle to demonstrate cultivation practices to emerging farmers.</p> <p>This item includes the cost that could not be allocated to the above two activities. It includes overarching management functions, communication services and management services.</p>
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<p><b>Red meat</b> Approximately 34 % (R6.6 million) of the statutory levy funds collected in the red meat industry have been allocated to transformation.</p>	<p>The following functions were performed in terms of transformation, namely –</p> <ul style="list-style-type: none"> <li>• Consumer education – R2 550 000</li> <li>• Consumer assurance – R799 000</li> <li>• Industry liaison – R480 000</li> </ul>	<p>The South African Feedlot Association (SAFA) is responsible for consumer education. According to SAFA, a consumer survey was conducted in 2003 and a communication/education programme was one of the outcomes of the consumer survey. The survey also indicated that, generally, 50 % of females, as well as black consumers, had consumed less beef products due to hygiene concerns and ignorance of nutritional and product use. The Beef-Up Campaign was developed to address these specific areas. Some of the activities include the following:</p> <ul style="list-style-type: none"> <li>• TV promotions were broadcast on TV1, TV2, TV3 and E-TV, highlighting the importance of red meat in balanced family diets for children, pregnant mothers as well as economical feeding for families.</li> <li>• Radio broadcasts were conducted on seven black stations during “taxi time” and soccer games, emphasising healthy eating.</li> </ul> <p>The South African Meat Industry Company (SAMIC) is responsible for the function of consumer assurance. In October 2006, the Minister requested the red meat industry to promote transformation amongst inspectors in the red meat industry. In September 2008, the Minister appointed four black people to act as inspectors.</p> <p>The National Federation of Meat Traders (NFMT) is responsible for training in the processing of carcasses. They are renting premises and bought tables, knives, crates etc. They will also buy carcasses and after training is given, the meat will be sold to the same processor who provided the carcasses.</p>													

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

	<ul style="list-style-type: none"> <li>• Production development – R1 214 070</li>   <li>• Development of the developing sector – R1 532 904</li> </ul>	<p>The Red Meat Producers' Organisation (RPO) is responsible for the function of production development and 30 % of the income for this function is allocated to the National Emerging Red Meat Producers Organisation (NERPO). Farm workers as well as emerging producers were trained extensively commercial red meat production. Smaller groups of ten to fifteen farmers were sent on four- to five-day courses in several disciplines. Agri Seta accredited lectures were used and courses were presented in the local black language.</p> <p>R1 532 904 was paid to NERPO. The principal objective of NERPO is to influence policy and legislation in favour of the emerging farmers; to facilitate sound decision making; to facilitate access to technical support, finance, and markets; to facilitate the participation of youth and women in the industry; and to facilitate black economic empowerment within the supply chain of the industry. In order to achieve these objectives, NERPO had to develop and implement special programmes. The following programmes have proved to be more instrumental in restoring the confidence and rebuilding the pride of the black farmers:</p> <ul style="list-style-type: none"> <li>• Leadership training and governance programme</li> <li>• Database project</li> <li>• Animal improvement programme</li> <li>• Farmer training programme</li> <li>• Marketing infrastructure development</li> <li>• Young Agribusiness Entrepreneurial Development Programme</li> <li>• Black Economic Empowerment within the value chain</li> </ul>
<p><b>Sorghum</b></p> <p>An amount of R312 445 (20.2 % of levy income) was spent on transformation.</p>	<p>Grain SA – R312 445</p>	<p>Transformation initiatives in the sorghum industry include the following:</p> <ul style="list-style-type: none"> <li>• Establishment and management of sorghum trail plots.</li> <li>• To hold sorghum farmers' days.</li> <li>• To offer five training courses on sorghum production and production practices.</li> <li>• The development of training manuals and training material.</li> </ul> <p>The main objective of the above initiatives are training, transfer of industry information, and best practice methodology regarding sorghum production to small scale and emerging farmers in the Limpopo, Mpumalanga and North West Provinces. 165 emerging farmers attended the farmers' days and training courses.</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p><b>Table grapes</b></p> <p>R1 291 405 or 7.4 % of levy income was spent on trans-formation.</p>	<p>Industry BEE reporting and table grape marketing – R60 600</p> <p>Standardised industry training materials- a table grape academy – R81 995</p> <p>Table grape grower workshops – R105 258</p> <p>Bursary scheme for priority skills – R20 987</p> <p>Mentorship and train the trainer – R11 410</p> <p>Corporate Social Initiatives – R52 000</p>	<p>SATI released the publication, “The Power of the Grape”, which is a marketing tool for all emerging table grape growers, sharing their stories and introducing their businesses to retailers, NGOs and government functionaries in SA and overseas. Over 4 000 copies of “The Power of the Grape” were printed and are being circulated by growers, donors and other stakeholders.</p> <p>Citrus Academy training materials are being adapted for table grape training under licence to the CGA. Service providers are being coordinated by SATI to author and to design the material layout. This is tedious undertaking, but should be well worth while, not only to plan upward career mobility for workers and emerging managers seeking to share equity in future, but also to improve the national export product. The irrigation and marketing training modules have been concluded. The project will continue through 2010.</p> <p>An accredited BEE verification agency was contracted to present the SATI workshop series, “Demystifying the BEE verification process”. Five workshops were held, attended by SATI with almost 100 member growers and consultants to the industry in key grower regions. Attendees returned home with tools to help them to define and develop BBBEE objectives in their respective enterprises.</p> <p>An industry skills and career categorisation exercise is being concluded early in 2010. The exercise, carried out by a service provider who was awarded a contract in an open competitive procurement process, should enable prudent bursary spending.</p> <p>SATI has subsidised middle and senior HDI managers in the Elsenburg, ARC, modular course in cases where upward mobility of HDIs is possible. SATI has also partnered with a USAID funded technical support programme managed by Florida Mechanical and Agricultural University (FAMU). The programme, called Farmer to Farmer, will continue for four years, providing expertise for marketing issues such as private standards certification and business management focus areas to emerging table grape growers. The categorisation and assessment process described under the bursary project will inform additional spending under this project for 2010.</p> <p>Two initiatives approved to date are the Hex River Clinic’s waiting room facility and an exposure tour undertaken by HDI middle and top management from the Berg River region.</p>
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## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p><b>Wine</b></p> <p>The <b>wine industry</b> spent approximately R24.6 million (39.6 % of levy income) on transformation.</p>	<p><b>SAWIS (information)</b> Transformation expenditure accounted for approximately 25 % (R2 624 172) of the levy income received by the South African Wine Information Systems (SAWIS).</p> <p><b>Winetech (research and development)</b> According to information obtained from Winetech, approximately 53 % of levies collected (R8 602 315) was used for exposure and training of PDIs.</p> <p><b>WOSA (export)</b> WOSA spent approximately 36 % (R11 388 220) of levies collected on PDI projects.</p> <p><b>WETU / WIDA</b> R1 965 648 or 90 % of their levy income was spent on transformation.</p>	<p>All PDIs benefit from, have access to, and receive all our services. 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 SMMEs and PDIs, as it was set up to target them specifically, and should be regarded as a transformation project. No membership fee is applicable to PDI's. Also, in accordance with our employment equity plan it is SAWIS's commitment to give preference to the appointment of suitably qualified previously disadvantaged individuals (PDIs). Stephen Hobson Business Advisory has completed an audit on the BEE status of SAWIS. SAWIS's status is a level 6. Transformation is also a standing item on the Board of Directors' meetings.</p> <p>A summary of Winetech's transformation activities (this includes bursaries, running expenses for chemicals and glassware, etc.) for the 2008 financial year is as follows:</p> <table border="0"> <tr><td>• ARC</td><td>R2 550 475</td></tr> <tr><td>• IWBT</td><td>R2 896 290</td></tr> <tr><td>• Dept Genetic (US)</td><td>R380 000</td></tr> <tr><td>• Dept Plant Pathology (US)</td><td>R168 900</td></tr> <tr><td>• Dept Viticulture &amp; Oenology (US)</td><td>R2 068 000</td></tr> <tr><td>• Dept Entomology (US)</td><td>R143 650</td></tr> <tr><td>• Dept Zoology &amp; Entomology (UP)</td><td>R55 000</td></tr> <tr><td>• VinPro</td><td>R340 000</td></tr> <tr><td><b>TOTAL</b></td><td><b>R8 602 315</b></td></tr> </table> <p>WOSA's transformation activities include the following:</p> <ul style="list-style-type: none"> <li>• Show support</li> <li>• Media and trade presentation</li> <li>• Wine evaluation</li> <li>• Training</li> </ul> <p>WIDA administered a mentorship programme to promote transformation in the wine industry. The main purpose of the programme is to promote transformation through economic empowerment, human resource development and training, sound industrial relations and social development. WIDA provided a list of all the projects and the number of beneficiaries from each project (over 200 beneficiaries benefited from these projects). Other institutions that benefited from statutory levies through WETU are the following:</p> <ul style="list-style-type: none"> <li>• WIDA – R345 531</li> <li>• NAFU – R180 000</li> <li>• BAWSI – R200 000</li> <li>• RUDNET – R180 000</li> <li>• Vineyard Academy – R105 000</li> </ul>	• ARC	R2 550 475	• IWBT	R2 896 290	• Dept Genetic (US)	R380 000	• Dept Plant Pathology (US)	R168 900	• Dept Viticulture & Oenology (US)	R2 068 000	• Dept Entomology (US)	R143 650	• Dept Zoology & Entomology (UP)	R55 000	• VinPro	R340 000	<b>TOTAL</b>	<b>R8 602 315</b>
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<p>Winter cereal</p> <p>The <b>winter cereal industry</b> spent approximately</p>	<p>ARC: Small Grain Institute – R2 265 083</p>	<p>The objective was to evaluate wheat cultivars for A1 tolerance at two trial sites in Kestell and Bethlehem. Based on yield levels of the different cultivars, cultivars are divided into different groups of tolerance to soil acidity. The trials have easy access to emerging producers, and assist them in choosing the best cultivar for the relevant soil type. The project was continued in 2008.</p> <p>Accomplishments:</p> <ul style="list-style-type: none"> <li>• On-farm demonstration trials were conducted in twelve localities where sixteen cultivars were planted – two of these localities were under</li> </ul>																		

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p>R6 million (20 % of levy income) on transformation.</p>	<p>Grain SA R684 550</p> <p>SAB Barley Farm R97 800</p> <p>Other projects – R1 395 596</p> <p>Provisions for future projects for which organisations still to be identified – R1 557 164</p>	<p>irrigation while ten were under dryland. Two localities were hard hit by drought.</p> <ul style="list-style-type: none"> <li>• Farmers and information days were held in nine areas where 888 people participated and 71 presentations were made.</li> <li>• Five meetings were held to foster good relationships and share ideas – Limpopo Provincial Department, Grain SA, SAGIS, Ministerial Extension Indaba and Wheat Forum were involved.</li> <li>• Five training courses were conducted where 173 participants attended.</li> </ul> <p>To enable developing farmers in the eastern and central Free State to produce dry-land wheat commercially, profitably and sustainably. This involved:</p> <ul style="list-style-type: none"> <li>• Creation of and service to four study groups in Marseilles, Clocolan, Bethlehem and Kestell. Ten meetings were held where important issues were discussed.</li> <li>• Plots with demonstration trials (in Fouriesburg and Kestell) and information days.</li> <li>• Training material developed and duplicated, and training courses (three five-day courses were presented to 44 farmers and nineteen extension officers.</li> <li>• Monthly newsletters (Pula/Imvula) where 2 500 copies in Sesotho were printed and distributed in the Free State.</li> </ul> <p>Training, mentoring and support for a previously disadvantaged graduated agricultural student in barley production.</p> <p>Cultivar breeding programmes – R615 475 SA Grain Info services – R198 448 Commission paid to persons collecting levies – R148 015 General administration expenses – R185 457 Grain Farmer Development Association – R200 000 Transformation Working Group – R48 201</p>
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**STATUTORY MEASURES PROMULGATED**

	<b>Statutory levies (VAT excluded)</b>	<b>Registration, and records &amp; returns</b>
Citrus	<p><b>R0.0213/kg</b> for export citrus fruit</p> <p>Old levy from 1 Sept 2004 New levy from 1 Sept 2008 Financial year: April 2008 – March 2009</p>	<p>All exporters and all producers shall register with the Citrus Growers' Association (CGA) and all exporters and all producers shall keep such records and render the returns as may be required by the CGA relating to export citrus fruit produced, received, sold, exported, or otherwise utilised. The Perishable Products Export Control Board (PPECB) shall render a copy of all export certificates or the information required by the CGA.</p>
Cotton	<p><b>20c/kg</b> cotton lint produced, payable by ginners to Cotton SA</p>	<p>a) All persons who produce seed cotton b) All persons who are parties to the purchase of seed cotton from producers c) Those persons who process seed cotton d) Those persons who are parties to the purchase of cotton lint from producers or ginners e) Those persons who import or export cotton shall register with Cotton SA and keep records and render returns to Cotton SA</p>
Dairy	<p><b>1c/kg</b> milk and cream, not concentrated nor containing added sugar or other sweetening matter</p> <p><b>9.6c/kg</b> milk and cream concentrated or containing added sugar or other sweetening matter</p> <p><b>3.6c/kg</b> on buttermilk, curdled milk and cream, yoghurt, 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</p> <p><b>2.9c/kg</b> 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</p> <p><b>10.3c/kg</b> on butter and other fats and oils derived from milk, dairy spreads</p> <p><b>14.4c/kg</b> on cheese and curd</p>	<p><b>Dairy:</b> All persons, except retailers, who buy milk from producers with the purpose of selling it as milk or processed milk products, and importers of milk and certain dairy products, and milk producers should register with Milk SA and submit monthly records on the quantity of milk produced and the quantity of milk bought.</p> <p><b>Milk:</b> All milk producers shall register with the Milk Producers' Organisation (MPO). Milk producers shall keep records and furnish returns with regard to milk in their possession or under their control to the MPO.</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p>Deciduous fruit – Pome fruit – Stone fruit</p>	<p><b>3c/kg</b> on all <b>pears</b> on export (all classes) and domestic volumes on municipal markets and retail level (all classes)</p> <p><b>6.5c/kg</b> on all <b>peaches and nectarines</b> on export (all classes) and domestic volumes on municipal markets and retail level (all classes)</p> <p><b>8.5c/kg</b> on all <b>apricots</b> on export (all classes) and domestic volumes (all classes)</p> <p><b>3c/kg</b> on all <b>apples</b> on export (all classes) and/or domestic volumes on municipal markets and retail level (all classes)</p> <p><b>0.6c/kg</b> on all apples destined for the manufacturing of <b>apple juice</b> concentrate by concentrate processing plants</p> <p><b>Plums:</b> a) <b>8.5c/kg</b> on all exported volumes (all classes) b) <b>5c/kg</b> on domestic volumes (all classes) on municipal markets and retail level</p>	<p>All producers, exporters and traders of stone fruit and pome fruit for fresh domestic consumption and/or exports, must register with the Deciduous Fruit Producers' Trust (DFPT).</p> <p>All producers, exporters, traders and processors of apples, pears, plums, peaches, nectarines and apricots shall keep such records and render the returns as may be required by the DFPT relating to:</p> <p>(a) Vines and trees surveys (b) The volume of apples, pears, plums, peaches, nectarines and apricots destined for domestic fresh consumption and/or export (c) The volume of apples destined for processing of juice concentrate</p>
<p>Dried fruit</p>	<p><b>4c/kg</b> for dried vine fruit</p> <p><b>8c/kg</b> for dried apricots, apples and peaches</p> <p><b>7c/kg</b> for nectarines, pears, prunes and other dried fruits</p>	<p>All importers, packers, exporters and processors of dried fruit shall register with Dried Fruit Technical Services (DFTS). These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.</p> <p>Each importer, packer, exporter and processor of dried fruit shall keep complete records for each calendar month in respect of dried fruit handled, imported or exported by him. These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.</p>
<p>Pork</p>	<p><b>R6.00 per head</b> of pigs slaughtered at abattoirs and pigs exported live</p>	<p>Abattoirs slaughtering pigs for commercial use other than for own consumption and exporters of live pigs shall keep records and render returns as may be required by the levy administrator.</p>
<p>Potatoes</p>	<p><b>1.30c/kg</b> for all classes of potatoes marketed in potato sacks manufactured from kraft paper</p> <p><b>1.30c/kg</b> for all classes of potatoes not marketed in potato sacks and intended for sale on the domestic market as table potatoes</p> <p><b>0.6c/kg</b> for processing</p> <p><b>0.44c/kg</b> as certified seed potatoes</p> <p><b>1.30c/kg</b> for all classes of potatoes not marketed in potato sacks and intended for export</p> <p><b>0.92c/kg</b> for all classes imported</p>	<p>Potato producers, traders, processors, exporters, importers, certification bodies, export inspection bodies, kraft paper importers, kraft paper manufacturers, potato sack manufacturers, potato sack importers and fresh produce market owners, and, if appointed, their agents must keep records and submit returns to the administrators of the Potato Industry Development Trust.</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

<p>Red meat</p>	<p><b><u>Cattle:</u></b></p> <p><b>R3.00 per head</b> – deducted and retained from the selling price of each designated animal by the buyer of such animal</p> <p><b>R5.00 per head</b> – payable by the owner at slaughter, to the abattoir</p> <p><b>R300 per year</b> or part thereof payable by each meat trader in respect of each outlet</p> <p><b>R0.03/kg</b> of imported red meat and red meat products</p> <p><b>R5.00 per head</b> of cattle exported live</p> <p><b>0.07 % of commission</b> on the sale of designated animals</p> <p><b>R0.01/kg</b> of hides produced locally</p> <p><b><u>Sheep and goats:</u></b></p> <p><b>R0.50 per head</b> – deducted and retained from the selling price of each designated animal by the buyer of such animal</p> <p><b>R0.75 per head</b> – payable by the owner at slaughter to the abattoir</p> <p><b>R300 per year</b> or part thereof – payable by each meat trader in respect of each outlet</p> <p><b>R0.03/kg</b> of imported red meat – payable by the importer of the red meat and red meat products</p> <p><b>R0.75 per head</b> of sheep/goat exported live</p> <p><b>0.07 %</b> of the commission on the sale of designated animals collected by that agent in respect of the sale of designated animals</p> <p><b>R0.01/kg of skins</b> – payable by the processor of the skin produced locally</p> <p><b><u>Processed meat:</u></b></p> <p><b>R0.01/kg</b> of red meat, red meat products and pork purchased by meat processors for processing or further processing</p>	<p>All agents, processors, traders, owners, importers, exporters and abattoirs must register with the levy administrator.</p> <p>All agents, processors, traders, owners, importers, exporters, shall keep such records and render the returns as may be required by the levy administrator for designated animals, red meat products, meat products, hides and skins.</p>
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## STATUS OF STATUTORY MEASURES – 2009 SURVEY

Sorghum	<p><b>R7.70/t</b> sorghum on all first buyers and producers of sorghum and the accountability for the payment thereof shall be shared between them on a fifty-fifty basis, and payable to the Sorghum Trust</p>	<p>All end-consumers, importers, storers, exporters and processors of grain and oilseeds shall register as such with the South African Grain Information Service (SAGIS).</p> <p>Each end-consumer, importer, storer, exporter and processor of grain and oilseeds shall keep complete records for each calendar month in respect of grain and oilseeds handled, imported or exported by him. These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons.</p>
Table grapes	<p><b>5c/kg</b> on all exported volumes table grapes (all classes)</p>	<p>All producers and exporters of table grapes shall register with the South African Table Grape Industry (SATI) and keep such records and render the returns as may be required by SATI relating to</p> <p>(a) Vine surveys (b) The volume of grapes destined for export</p>
Wine and grapes	<p><b>Research and development levy:</b> Grapes: R12.46/t Grape juice concentrate: 1.78c/litre at 17.4 degrees Balling Drinking wine 1.78c/litre Distilling wine and wine spirit: 1.54c/litre at 10 % alcohol by volume</p> <p><b>Wine export generic promotion levy:</b> Export wine in bulk: 6.39c/litre Otherwise 8.77c/litre</p> <p><b>Information levy:</b> Grapes: R8.75/t Grape juice concentrate: 1.25c/litre at 17.4 degrees Balling Drinking wine: 1.25c/litre</p> <p><b>Empowerment and transformation levy:</b> Grapes: R2.12 p/t Grape juice concentrate: 0.30c/litre at 17.4 degrees Balling Drinking wine: 0.30c/litre.</p>	<p>All bottlers, grape producers, wine exporters, wine producers and wine traders must register with South African Wine Industry Information and Systems (SAWIS) and keep records and render returns on vines, grapes, grape juice, and wine produced, received, stored, sold, exported or otherwise utilised.</p>

## STATUS OF STATUTORY MEASURES – 2009 SURVEY

Winter cereals	Wheat R9.00/t Barley R8.50/t Oats R4.50/t Durum wheat R4.75/t	All end-consumers, importers, storers, exporters and processors of grain and oilseeds shall register as such with SAGIS.  Each end-consumer, importer, storer, exporter and processor of grain and oilseeds shall keep complete records for each calendar month in respect of grain and oilseeds handled, imported or exported by him. These shall also include any person, for example a producer, who acts in the capacity of the aforementioned persons. Each end-consumer, importer, storer, exporter and processor of maize and/or wheat shall keep complete records for each week (Saturday to Friday) in respect of maize and/or wheat imported or exported by him. These shall also include any person, for example a producer, trader, transporter, agent, etc., who acts in the capacity or on behalf of the aforementioned persons.
Lucerne	No statutory levy	All lucerne seed and hay dealers must register with the National Lucerne Organisation (NLO) and keep complete records on seed and hay locally received, imported, exported, sold and balances on hand at end of each month, and furnish returns to the NLO.
Mohair	No statutory levy	All producers, brokers, traders or mohair buyers, processors, importers and exporters should register with Mohair SA.
Wool	No statutory levy	Each broker, trader, processor, importer and exporter of wool must register and furnish records & returns to Cape Wools SA.

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