



Agricultural Industries Transformation Workshop

1. Introduction

On 8 February 2019, the National Agricultural Marketing Council (NAMC) convened an agricultural industry transformation workshop with the administrators of statutory measures and agricultural industry trusts. The workshop was held at the Southern Sun OR Tambo Hotel, Johannesburg. It is encouraging to note that the attendance of the workshop was commendable in terms of both the numbers (at 75 delegates) with industry decision makers in attendance.

The purpose of the workshop was:

- To engage with the Administrators of statutory measures as well as industry trusts on the progress to date;
- To applaud these industries for their contribution in transforming the agricultural sector (noting the progress and challenges per industry);

- To ensure that there is engagement between and among stakeholders such as the Department of Agriculture, Forestry and Fisheries (DAFF), all industry stakeholders, the office of the Minister and the BBBEE Charter Compliance Directorate; and
- To give feedback to the industries in terms of the monitoring and evaluation (M&E) findings on the utilisation of the 20% of statutory levy funds earmarked for transformation.

This report gives a snapshot of the workshop proceedings and further highlights the essential inputs from the industries towards the work of transformation. It was put together as a record of the proceedings and to ensure that some of the pointers emanating from the workshop can easily be traced and actioned.

2. Workshop deliberations

This section presents a brief of each of the presentations made and also highlight some matters that were raised during the discussions.



2.1. Opening remarks by the NAMC Chairperson, Prof PK Chauke

In his opening remarks, Prof Chauke acknowledged the presence of the levy and trusts administrators, transformation managers, Deputy chairperson of the NAMC Mr H. Prinsloo, representatives from DAFF & NAMC and NAMC's Chief Executive Officer, Mr Zama Xalisa. Furthermore, indicated that he was tasked to introduce the Deputy Minister of DAFF who was running late due to the attendance of the State of the Nation Address (SONA) delivered by President Ramaphosa. He then, proceeded to introduce the Deputy Minister in absentia.

2.2. DAFF perspective on transformation

The Directorate AgriBEE Charters Compliance was invited as it provides the basis for the NAMC's transformation work. The NAMC guidelines were developed guided by the AgriBEE score cards and its pillars. It is for this reason that, Dr M Mokoena of the Department of Agriculture, Forestry and Fisheries (AgriBEE Charter Compliance

Directorate) was invited to give a presentation on the amended AgriBEE sector codes where he highlighted the AgriBEE sector code which aims to address the issue of transformation in the sector, addressing the issues of employment equity, skills development, and industrialisation and supplier development. He further stressed the need to invest in the sector where jobs can be created and to solve the problem of limited skills to equip employable citizens throughout the country.

2.3. NAMC transformation guidelines

The NAMC works closely with the commodity groups (Trusts and levies) in the agricultural sector. Transformation work in the Industry Trusts is actioned through the trusts funds, whereas on the statutory measures it is stipulated that 20% of the total levy income shall be channelled to transformation. It is for this reason that the NAMC established the transformation review committee as a strategic committee to provide guidance, monitor and evaluate transformation work of the industries and trusts.

The TRC operates under the auspices of the transformation guidelines developed in consultation with all the agricultural industries collecting statutory levies. The work of the TRC is explained in detail on the link attached <https://www.namc.co.za/wp-content/uploads/2018/06/NAMC-Generic-Transformation-Guidelines-as-amended-in-2018.pdf>

Mrs K Mosoma who is the deputy chairperson of the Transformation Review Committee of the NAMC was invited to provide brief background of the work of the committee. The committee is aimed at ensuring that the industry transformation business plans adhere to the transformation guidelines. Her presentation covered the expectations of the NAMC with regard to transformation proposals and activities.

Furthermore, it highlighted that all the applicants of statutory measures are subject to such transformation guidelines and are expected to align their transformation business plans. The establishment of the transformation guidelines was informed by the amended AgriBEE scorecards which put more emphasis on key pillars such as enterprise development and skills development. She concluded that the NAMC is satisfied with the progress made by the industries guided by the transformation guidelines.

Comments from the industry representatives:

- The NAMC should consider partnerships with other stakeholders such as AgriSA, ASAFU, NAFU and so forth, to enhance the success of transformation initiatives; and
- In future, the transformation guidelines should investigate youth participation in the agricultural sector for the sustainability and profitability of the sector.

2.4. NAMC presentation on monitoring and evaluation findings

Part of the work of the TRC is to conduct monitoring and evaluation of the transformation work of the industries. This is done through site visits to the projects or farms supported by the industries using the 20% transformation levy. It is for this reason that Dr Mazibuko provided feedback on the key findings during the site visits. His presentation kick started by indicating that nine (9) site visits were conducted, and the common key findings were

on the issues of land entitlement, funding, and abuse of market power by the exporting market agents. Although there are success stories with the enterprise development approach taken by some of the industries, more can still be done should the government and other stakeholders play a role in the work of transformation in the South African agricultural sector.

He concluded his presentation by encouraging the industry representatives, stating that industries need to be given credit for their efforts. He said that any good story has aspects of challenges to it, but what matters is how these challenges are conquered; and furthermore, cooperation among stakeholders is not a prerequisite for transformation but a necessity. It was highlighted that the NAMC Transformation Review Committee would communicate with all the industry commodity groups to organise site visits.

Comments

- It was suggested that the NAMC should match the number of transformation beneficiaries respectively with the number of commercial farmers, to measure the impact of the transformation levy fund initiatives.
- The attempt by the NAMC to assist the industries in accessing government funding should be inclusive of all the industry commodities.
- The NAMC secretariat will arrange with all the industries to conduct site visits to their transformation projects.





2.5. Overview of the utilisation of the 80% statutory levy income by the NAMC's Deputy Chairperson, Mr H. Prinsloo

There is a general consensus that the NAMC transformation work covered solely the utilisation of the 20% transformation levy, with less emphasis on the 80% levy income. The NAMC was then requested to ensure that when they perform their work, especially on the TRC mandate, both the 20% and 80% utilisation of the levy should be monitored and evaluated.

It was important that NAMC Deputy Chairperson, Mr H Prinsloo, provide the snapshots and the views/expectations of the Council on the statutory measures' applications submitted to the NAMC for recommendation to the Minister. He then highlighted that the NAMC Council is of the view that the work being done by the industries is aimed at sustaining the South African agricultural sector. He cautioned the industries that the issue of climate change is a possible key factor that will affect the sector.

Mr Prinsloo provided a brief talk on the expectation by the Council from all the applicants of statutory measures. With regard to the business plan submitted by the applicant, the industry should specify how the 80% of levy income is to be spent; the Council needs to see the specification on how the industry is going to spend the 80% of statutory

levy income. Furthermore, there must be a practical result from the statutory levy income support. He concluded by indicating that the industries should communicate more of the milestones achieved as a result of the utilisation of the levies so that the Council's work is made easier when recommending the application to the Minister's office.

2.6. Keynote address by the Deputy Minister, DAFF

The Honourable Deputy Minister of DAFF, Mr Sfiso Buthelezi greeted and couldn't resist the temptation to say "Compliments of the New Year" to all the attendees. He then proceeded to indicate that the workshop was well timed, convened in the beginning of a calendar year just before the end of the financial year in government. He expressed his excitement to address this workshop on the important matter of transformation organised by the NAMC.

Direct quotation of the Deputy Minister's speech "I am here to share some insights with industry colleagues, yourselves, about the work you do on transformation working closely with the NAMC. I must indicate that the NAMC communicates the work you do with our Department outlining the successes and challenges. I know as a matter of fact and I have read in scholarly work that South Africa's agriculture is dual in nature with both well-developed white owned commercial farming system and more subsistence-based black-owned farming system.

The South African agricultural sector remains relatively dualistic in structure encompassing of just over 30 thousand large commercial farmers that produce nearly 95 percent of agricultural and thousands of small-scale farmers that are typically characterised by poor on-farm infrastructure and uncoordinated production systems. The primary objective of transformation in the agricultural sector in South Africa is to elevate previously



disadvantaged people into management and/or landownership positions in respect of economically viable land for cultivation. A dual agricultural sector is a hugely bad stigma to the sector, and the public may not be well informed of the strides the industry is making.

His Excellency President Ramaphosa highlights that “All of the economic in-equalities of the apartheid era is still alive and that the in-equality between white and black South Africans is one of the most prominent hurdles in the country’s economic growth.” Furthermore, “the land reform program will not threaten investment in South Africa’s economy and will not wear away property rights or negatively affect agricultural production.” It is important to note that the South African government has been attempting to deal (since the document called the Reconstruction and Development Programme – RDP) with transformation in agriculture through a number of interventions. However, there is little progress.

Where we have made mistakes and the successes lies learning opportunities so that we can align our work going forward. The contribution of agriculture to the economy of South Africa cannot

be understated. In absolute values (gross value of agriculture), the contributions have been on an increasing trajectory. Unfortunately, in relative terms the share of agriculture in the total size of the South African economy has been on a downward trend. Theoretically speaking the declining share as an indication of an industrialising economy that is shifting from primary to secondary and tertiary sectors (exactly what is currently happening). As an economist I can get carried away by this economic argument and let us leave it for another day.

Colleagues, without any doubt the work you do is very important. The pride of an internationally competitive sector is based on the work you do which government supports through a regulatory framework. As such, I am convinced the statutory levies and trusts funds serve as key vehicles to drive agricultural growth and development. With that said, I am also of the view that a collective transformation expenditure of R180 million is

commendable, and certainly can be increased. With that said Programme Director, I am committing to meet with you regularly and talk about transformation through levies and Trusts’ funds. The NAMC has a mandate to advise the honourable Minister of DAFF, Mr Senzeni Zokwana, on the operations and utilisation of the levies and trusts funds to the benefit of the agricultural sector. This is done on an annual basis, through status reports on statutory measures and agricultural industry trusts which provide guidance on the performance of the industries and trusts transformation initiatives. The 2018 statutory measures survey highlights that the total funds collected through statutory levies amounted to approximately R 589.2 million, which is 14.0 % higher than the 2017 survey’s reported value of R 517.0 million.

In respect of the conditions of approval for statutory levies, the industries are required to spend a minimum of 20% of statutory transformation



activities, the focus of today's workshop. The specifics of how such spending can be done are outlined in the NAMC Transformation Guidelines. I must tell this gathering that our view is that enterprise and supplier development are the cornerstone of real transformation and shall be prioritised. In 2018 survey of Statutory levies it is highlighted that industry bodies spent approximately R113.4 million on transformation activities and during the same period the agricultural trusts spent just below R50 million. The work done through the levy funds is commendable and I ask that you work closely with the NAMC to transform the agricultural sector.

South Africa's agriculture is very privileged to have people who have developed the assets of the trust from what they inherited to assets worth billions of Rands. The assets of the Trusts continue to show a positive growth from R667 million (in 1997) to over R2 billion (2018). I am here to directly engage with you so that you can engage me in instances where you need the NAMC intervention. Government needs you to support the growth of the sector and its developmental needs like transformation. Likewise, any agricultural sector needs a caring and responsible government – private sector needs government the same way government needs private sector. I have seen the challenges each of your sectors have on transformation and my sincere request to you industry colleagues is that let us deal with transformation in a diligent manner. Let us build a sector that can be divorced from the stigma of racial dimension – we shall hold hands and forge ahead. Mistakes that have been committed belong to the records of history

and what is needed is foresight to navigate the terrain well. Aluta continua – victory is certain. A full transformed sector is possible within our life time”.

Comments-

The issue of land is becoming an impeding factor to the funding mechanisms for communal land ownership. There is a need to improve collaboration between various departments of government and the industries. There is a need to convene an agricultural indaba (possible 2 – 5 days) to engage all the industries and directly affected groups on the challenges faced by the sector; and

- There is also a need to address and deliberate on the issue of the AgriBEE Charter Sector Code to realise its objectives.

3. Way forward

The key action points highlighted were as follows:

- A few months ago, the mining sector held a mining indaba. It was proposed that the agricultural sector hold an agricultural indaba, where all directly affected groups will play an active role in developing solutions that will elevate the agricultural industry.
- A working committee should be put in place to organise the agricultural indaba.
- The Deputy Minister noted the issue of the communal land tenure system in the macadamia industry and committed to convening the necessary engagements on this matter.
- The dam levels in the wine industry were also brought to the attention of the Deputy Minister.





4. Closing remarks

In closing, the NAMC's CEO, Mr Z Xalisa, acknowledged all industries for their continued support and collaboration with the NAMC. He applauded the progress made to date by the industries under the watch of the NAMC. He further posed a rhetorical question relating to the R49 billion worth of exports that South Africa has attained, asking: "From that R49 billion total exports, how much is from the black farmers?" In closing, he added that there is still a need to bridge the gap between the commercial farmers and emerging farmers, which is one area where the role of transformation can be realised.

