



Transformation digest

Issue No.: 8

In this issue we cover the following topics:

1. Overview of transformation expenditure by industries collecting statutory levies
2. The story of beef cattle farmers striving towards commercial farming
3. Transformation within the mohair industry
4. Transformation within the pecan nut Industry



**National Agricultural
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AGRI-TRANSFORMATION DIGEST

Agri-Transformation Digest is a bi-monthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate transformation developments as they happen around the agricultural industries. The focus of this issue is on the overview of transformation expenditure by industries collecting statutory levies, followed by the transformation success within the pecan nut industry, mohair industry and red meat industry. The division has three digests, covering Food Agriculture Natural Resource Policy Networks (FANRPAN), Agricultural Transformation, and Agricultural Industry Trusts. *Agri-Transformation Digest* reports on the development reports on the bi-monthly key developments coming from the transformation activities of different industries and trusts.

Contributors to this issue:

Mr Elekanyani Nekhavhambe
Ms Nomantande Yeki
Ms Khumbuzile Mosoma
Mr Bonani Nyhodo
Mr BM Mpyana
Dr Ndumiso Mazibuko

1. OVERVIEW OF TRANSFORMATION EXPENDITURE BY INDUSTRIES COLLECTING STATUTORY LEVIES

By

Ndumiso Mazibuko and Matsobane (BM) Mpyana

South Africa has a well-developed statutory levy system, which has been developed over decades. The Marketing Act of 1937 provided a legal framework for statutory interventions in the marketing of agricultural products. While the Marketing Act of 1968 (Act No. 59 of 1968), which replaced the Marketing Act of 1937, provided for a system whereby farmer-dominated control boards administered “marketing schemes”, the Marketing of Agricultural Products Act, No. 47 of 1996 (MAP Act), as amended, provides for the establishment of statutory measures in South Africa. Statutory levy systems are established by government at the request of an industry group that can show it has a majority consensus, by numbers or by volume, in support of such systems.

In essence, levy systems allow participants to enjoy the benefits associated with pooling their money to create economies of scale in their funded activities and to increase the competitiveness of an industry. The statutory levy system also addresses the ‘free rider’ problem of other producers gaining benefits without contributing to levy funds – everyone benefits accordingly.

The MAP Act stipulates that a statutory measure needs to be approved by the Minister of Agriculture, Forestry and Fisheries (henceforth referred to as the Minister) and promulgated in the Government Gazette to become enforceable. A statutory levy is a charge per unit of an agricultural commodity at any point in the marketing chain between the producer and the consumer. It is collected for specific functions such as funding for research, transformation, consumer education, market access and export promotion. One of the conditions for approval of statutory measures is that levy administrators should spend at least 20 % of statutory levy income on transformation projects.

The NAMC 2018 survey highlights the fact that approximately R113.4 million was spent on

transformation projects, compared to R94.1 million reported in the previous survey – an increase of 20.5 %. The figure below highlights the amount that has been spent by industries collecting statutory levies on transformation activities over the years.

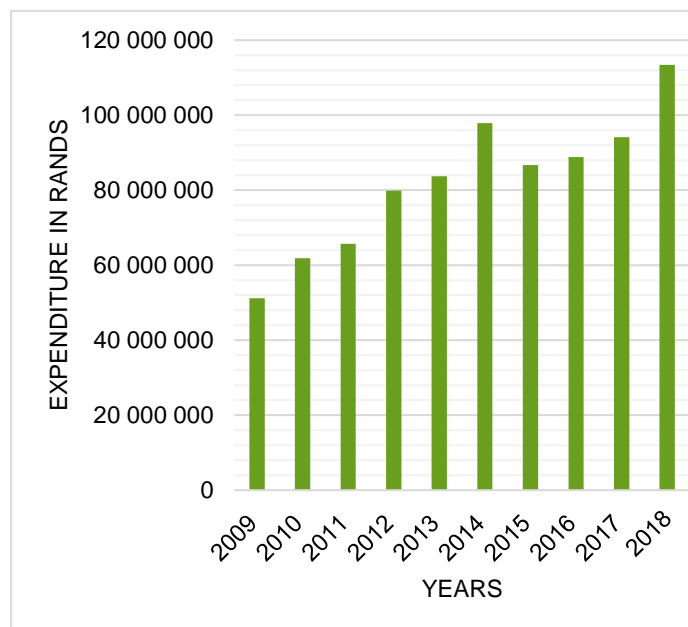


Figure 1: Source: NAMC, 2018

The figure below shows the expenditure of industries in line with the 2014 transformation guideline pillars, in the 2018 Status of Statutory Measures survey.

	2018 Pillars of transformation					Levy income
	Enterprise development	Skills development	Employment equity, Management control, Socio economic development, Ownership	Total spent on transformation	% of levy income	
	(guideline 50%)	(guideline 20%)	(guideline 30%)		(guideline 20%+)	
Citrus (exported)	8 000 000	4 000 000	615 132	12 615 132	16.0%	78 825 938
Cotton lint	462 149	60 147		522 296	20.7%	2 524 884
Dairy products	4 778 372	5 617 201		10 395 573	21.3%	48 725 636
Deciduous fruit	7 582 391	2 104 704	2 169 667	11 856 762	11.8%	100 369 096
Dried fruit	1 445 425	192 104	386 472	2 024 001	25.9%	7 803 213
Fynbos (proteas)		195 104		195 104	16.5%	1 179 670
Lucerne	660 000			660 000	28.0%	2 353 970
Macadamias	935 243	659 805	336 000	1 931 048	24.2%	7 969 375
Olives		346 235		346 235	17.1%	2 026 776
Pecan nuts	525 214	192 525	90 276	808 015	19.6%	4 120 537
Pomegranates			20 331	20 331	3.1%	646 686
Pork	2 487 022	940 672	2 459 080	5 886 774	20.6%	28 620 500
Potatoes	5 736 765	1 470 293	2 875 958	10 083 016	23.7%	42 463 090
Red meat	5 182 566	2 658 600	692 100	8 533 266	19.3%	44 139 306
Sorghum	68 976			68 976	5.8%	1 191 752
Table grapes	2 156 700	944 743	1 827 939	4 929 382	17.6%	27 968 400
Wine	12 385 330	1 270 021	18 106 466	31 761 817	29.9%	106 087 941
Winter cereal (General)	1 766 472		1 445 540	3 212 012	10.2%	31 515 613
Winter cereal (SACTA)	3 311 117	1 658 361	2 563 712	7 533 190	14.9%	50 668 848
TOTAL	57 483 742	22 310 515	33 588 673	113 382 930	19.2%	589 201 231
	50.7%	19.7%	29.6%	100.0%		

Figure 2: Source: NAMC, 2018

The NAMC transformation guidelines focus mainly on the transformation expenditure of 20 % of the total levy income, which is meant for support relating to black farmers in the specific industry. As depicted in the table

above, approximately R57.5 million or 50.7 % of total transformation expenditure was spent on enterprise development, while approximately R22.3 million or 19.7 % was spent on skills development and approximately R33.6 million or 29.6 % was spent on employment equity, management control, ownership, etc.

It is important to note that this article is based on the 2014 transformation guidelines, which stipulate that at least 50 % of the transformation expenditure should be spent on enterprise development. Following the amendment of the AgriBEE scorecards, the percentage was then revised to 60 % to be spent on enterprise development. The industries are already responding well to the revised percentages and this would mean a greater impact on the number of enterprises and/or activities funded. In conclusion, the levy system can be a mechanism to organise smallholder farmers in the sector to grow and improve their competitiveness.

2. THE STORY OF BEEF CATTLE FARMERS STRIVING TOWARDS COMMERCIAL FARMING

By

Ndumiso Mazibuko and Nomantande Yeki

2.1. Introduction

We all start somewhere. Even one of the biggest suppliers of beef products in South Africa, Karan Beef, started with fewer than 100 heads of cattle. Currently, the supplier accommodates over 150 000 heads of cattle. Isn't this interesting? It is! And the story of Mr Eric Leteane is no different. Although the challenges of farming still exist, farmers put more effort into ensuring that the population of South Africa and the rest of the world don't have to go to bed hungry.

The National Agricultural Marketing Council (NAMC) has established the Transformation Review Committee (TRC), which seeks to monitor and evaluate the 20 % transformation expenditure and transformation activities of the industries (levy and trust funds) in South Africa. On 29 March 2019, the NAMC TRC conducted a site visit to

Mr Eric Leteane, who farms with beef cattle in the Booms area of the North West Province. Mr Leteane is a member of the National Emergent Red Meat Producers' Organisation (NERPO) and a levy payer who founded the Booyskraal beef cattle farm in the Booms area (North West). The purpose of the site visit was to conduct a situational analysis of Mr Leteane's farm.

Mr Leteane is among those black farmers with a great passion and potential to operate at a commercial level. Should he receive sufficient support from the government and red meat industry, this farmer is sure to achieve greater success.

This article highlights the background of Mr Leteane's farm and gives his perception of transformation within the red meat industry.

2.2 Mr Leteane's farm, "Booyskraal farm"

Booyskraal farm is approximately 500 ha in size, with approximately 150 ha thereof being arable land. The farm has an additional 200 ha of separate land where maize is planted to feed Mr Leteane's livestock. This means that the total size of the farm is approximately 700 ha and it is leased from the North West Department of Agriculture, Rural Development and Land Reform. Interestingly, the farmer currently owns over 150¹ heads of Bonsmara cattle.



Figure 2: A photo of Mr Leteane's beef cattle

¹ In 2018, he sold 50 heads of cattle to pay his children's tuition fees.

2.3. Mr Leteane's perspective: Transformation in the red meat industry

Farmers often have valuable inputs into the work of government and the private sector. Mr Leteane feels that the industry could do better, should the following be addressed: The issue of markets and market information access, off-take agreements & delayed payments by off-takers; Development of business plans; and Veterinary services.

2.4. Conclusion

Transformation of the South African agricultural sector can only be achieved if the government and private sector speak the same language. Willingness is key to the success of transformation. *Aluta continua*

3. TRANSFORMATION WITHIN THE MOHAIR INDUSTRY

By

Bonani Nyhodo and Khumbuzile Mosoma

3.1. Introduction

On 25 & 26 March 2019, the National Agricultural Marketing Council's (NAMC) Transformation Review Committee (TRC) was invited by the Mohair Industry Trust to visit their industry transformation beneficiaries in the city of Port Elizabeth in the Eastern Cape Province. The purpose of the visit was for the TRC to conduct a monitoring and evaluation (M&E) exercise on the progress of the transformation projects funded by Mohair Industry Trust monies.

The transformation activities of the Mohair Trust are implemented by a separate entity – the “Mohair Empowerment Trust” – which was developed in 2010 to drive the economic empowerment projects within the mohair industry.

3.2. Mohair Industry Trust transformation projects

Six (6) of the Mohair Industry Trust transformation beneficiaries were visited and their backgrounds are outlined briefly as follows:

3.2.1. Brakfontein Farm

Brakfontein farm is owned by Mr George Saleni and its total size is approximately 375 ha. Of the total farm size,

only 45 ha have water rights. The farm was initially supported with 300 angora goats from the Trust and in January 2019 was expanded with about 300 ewes and 150 wethers (“kapaters”). Approximately 38 ha of the farm are under lucerne production.



Figure 2: Photo of Brakfontein farm angora goats

3.2.2. Rietfontein farm

Rietfontein farm is a new project owned by Mr Frank Williams, operating under 600 ha. MET supported the farm with 490 goats, and currently there are 460 goats on the farm, after a few goats were lost after delivery early this year (2019).



Figure 3: Photo of Rietfontein farm, with Mr Williams showing NAMC officials his goats

3.2.3. Driefontein Farm

Driefontein farm is also new project owned by Mr Llyod Sindile James. He has been supported by the CASP Fund in terms of a borehole system. At present, he has 615 goats and will be shearing in July.



Figure 4: Photo of Driefontein farm, with Mr James liaising with the NAMC official

3.2.4. Doornrivier Farm

The farm of approximately 4 495 ha was divided into 44 camps, with only 26 camps being functional and about 1 200 wethers (“kapaters”) and 50 angora goats (ewes) at the shearing stage.



Figure 5: Photo of Mr Simphiwe's angora goats after shearing

3.2.5. Irene Farm

Irene farm was acquired through the PLAAS programme and has two partners operating on 1 500 ha of land. The farm has a quality shearing shed facility funded by the Department of Agriculture and accommodates 441 goats, including kids.



Figure 6: Photo of the Irene farm shearing facility funded by the Department of Agriculture, Forestry and Fisheries

3.2.6. Geluk Farm

Geluk farm is also a new project owned by two partners, Mr Johnson Mandlenda and Mr Lizo Mandlenda, and in terms of capacity can accommodate up to 3 000 angora goats. The farm's total size is approximately 7 700 ha. The first shearing will be in August 2019.



Figure 7: A photo of Geluk farm's angora goats

3.3. Challenges

The main challenges observed among the visited projects include the shortage of water, the high cost of electricity, heartwater disease, lack of infrastructure (housing, shearing and hearing facilities, as well as fences) and predators such as jackals.

3.4. Conclusion

The work that the Mohair Industry Trust is doing in terms of the transformation of the new entrance for and existence of black farmers in the mohair industry is commendable. If other departments such as Rural Development and Water and Sanitation can intervene on certain challenges encountered by the farmers, those farmers will be able to operate at their full potential.

4. TRANSFORMATION WITHIN THE PECAN NUT INDUSTRY

**By
Elekanyani Nekhavhambe**

4.1. Introduction

On 13 March 2019, the National Agricultural Marketing Council's (NAMC) Transformation Review Committee (TRC) was invited by the South African Pecan Nut

Producers' Association (SAPPA) to visit one of their industry transformation beneficiaries in the Gauteng Province. The purpose of the visit was for the TRC to conduct a monitoring and evaluation (M&E) exercise on the progress of the transformation in the SAPPA.

Role of statutory measures: SAPPA had their first statutory measures application approved in 2012. The main purpose of the introduction of statutory measures related to research and product development, information and transformation. The industry's focus on transformation was mainly related to extension services to assist black pecan nut producers to grow their enterprises.

For the past five years, SAPPA has been able to assist 50 black pecan nut producers to establish their orchards. Such assistance was mainly related to: the purchase of trees; extension services; and mentorship and skills development.

4.2. The story of Mr Mandla Dube

Mr Dube is one of the transformation beneficiaries selected by SAPPA and will be supported to establish his pecan nut enterprise. Mr Dube's farm measures 8.5 ha in total and is situated in the Rayton area (about 40 km from Pretoria Central) in the district of Tshwane, Gauteng Province. During the site visit, Mr Dube indicated that his passion for farming had been inspired by his brother who was currently farming with chickens not far from Mr Dube's farm.

It was observed that Mr Dube's farm had sufficient water with three boreholes and had previously been used as a nursery. Therefore, practising crop farming that requires water will not be a major problem. For Mr Dube to ensure that his cash flow remains positive, vegetable farming is key, as he sells his vegetables through auctions in the Bronkhorstspuit area. Moreover, he is permanently employed elsewhere, which boosts his farm capital.

Mr Dube was assisted by SAPPA with his first plantation in August 2018, when he planted 48 trees on approximately 0.5 ha. Prior to planting, SAPPA had assisted him in terms of the following:

- Bush clearance;
- Soil preparation;
- Covering the total cost for 48 trees (R220-R300 per unit tree); and
- Installation of a suitable irrigation system.



Figure 1: Photo showing Mr Dube's pecan nut trees

In terms of additional interventions, SAPPA will be providing extension services support to Mr Dube on a continuous basis, i.e. mentorship (inclusive of technical advice) and training.

4.3. Future developments

The pecan nut trees planted are in good condition and SAPPA will be assisting the farm owner to plant another 0.5 ha of land with pecan nut trees. The plan is to develop as large a portion of the farm as possible.

Although SAPPA is not the largest association, nor the smallest, its future plans include investing more in market development both locally and internationally. The purpose of this is to increase consumer awareness and demand for pecan nuts. This initiative will ensure that there is a market for future black pecan nut producers who are still new to the business of planting orchard trees.

4.4. Conclusion

In conclusion, the NAMC has applauded SAPPA for its efforts to invest in black farmers within the pecan nut industry, through the 20 % transformation levy. Should farmers invest more time in their businesses, more success stories are likely to emerge within the industry.

For more information, visit www.namc.co.za or contact

Mr B. Nyhodo – Senior Manager: Agricultural Industry Trusts Division
email: bonani@namc.co.za

Tel: 012 341 1115

Fax: 012 341 1811

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