



# NAMC

Promoting market access for South African agriculture

# Agri-Trust

## digest

Issue No.: 08

*In this issue we cover the following topics:*

- 1. Production and trade information gap within the industry trusts: Does this hinder transformation progress in the agricultural sector?*
- 2. South African mohair industry: A global leader*
- 3. Asset performance of the horticultural trusts*
- 4. Meet the new ministerial trustees in the Winter Cereals Trust and Mohair Trust*

Visit the NAMC Agri- Trusts Portal at: <http://www.namc.co.za/services/agricultural-trusts/>



## **AGRI-TRUST DIGEST**

Agri-Trust Digest is a bimonthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate developments as they happen around the different agricultural trusts. The focus of this issue is on four topics: (i) Production and trade information gap within the industry trusts: Does this hinder transformation progress in the agricultural sector? (ii) South African mohair industry: A global leader; (iii) Asset performance of the horticultural trusts; and (iv) Meet the new ministerial trustees in the Winter Cereals Trust and Mohair Trust. The division has three digests which cover the Food Agriculture Natural Resource Policy Analysis Network (FANRPAN), agricultural transformation, and agricultural industry trusts. Agri-Trust Digest reports on key developments coming from the operation of the different industry trusts.

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# PRODUCTION AND TRADE INFORMATION GAP WITHIN THE INDUSTRY TRUSTS: DOES THIS HINDER TRANSFORMATION PROGRESS IN THE AGRICULTURAL SECTOR?

*By Matsobane (BM) Mpyana*

## 1.1. Introduction

It has been more than 25 years since the transition from the former control boards to agricultural trusts, yet the sector still struggles to document the statistics relating to the number and production volumes produced by smallholder farmers. The same cannot be said for the commercial sector as it forms part of organised agriculture in South Africa. Before the democratic dispensation in South Africa, the control boards played a crucial role in assisting commercial farmers, while treating smallholder farmers as non-existent. In the main, the control boards were established to perform activities such as pre-price determination, and the boards were responsible for the trading of products. The then Marketing of Products Act allowed for subsidies and such activities related to marketing, and the deregulation led to a complete change of direction in the method of doing business.

## 1.2. Background

It is an open secret that the apartheid system contributed enormously to the current South African agricultural landscape of two worlds that are separate from each other. The apartheid system has deprived smallholders (who are predominantly black) of an opportunity to create value in agriculture, which has to date created differing insights into agriculture, with commercial agriculture dominated by white farmers and smallholder agriculture dominated by black farmers. Unity in agriculture is key to the betterment of society and the transformation of the sector.

The agricultural sector in South Africa is facing many challenges. The former (democratic terms) and current governments have attempted to create an enabling environment for commercial farmers to thrive and export produce with the limited budget allocation. Then again, smallholder farmers find it extremely difficult to find viable markets<sup>1</sup> and produce marketable output. There is concern about the lack of political will to set aside institutional

markets for smallholder farmers. The lack of adequate support for smallholder farmers poses a serious challenge to the transformation of the sector and the ability of smallholder farmers to participate in the commercial space. There is a consensus that agricultural industry trusts can play a significant role as the key vehicles to drive transformation in the agricultural sector through the support provided through the trust funds. There are currently eleven (11) agricultural trusts, which emerged as a result of the abolition of the former control boards. However, of the 11 agricultural trusts, only three (3) managed to supply information pertaining to trade and production, which points to the fact that an information gap still exists between the number of commercial producers and smallholder producers. Furthermore, this makes it difficult to trace the transformation progress in terms of the tracking of market access aspects in the agricultural sector.

The National Agricultural Marketing Council (NAMC), in collaboration with the respective trusts, annually publishes a status report on the 11 industry trusts, and the reflections from the 2018 survey concur with the stipulations outlined in this article. The Potato Industry Development Trust, the Wool Trust and the Winter Cereals Trust were the only trusts that managed to supply information pertaining to production volumes and the number of farmers (commercial and smallholder) in the industry.

### Potato Industry Development Trust

Transformation is one of the core divisions of Potatoes South Africa. The number of potato producers in the industry is estimated at 532. For the 2017/18 season, Potatoes South Africa supported 19 black potato producers (since the inception of the transformation programme, 42 black potato producers have been supported through the Enterprise Development Programme). Furthermore, the potato industry has an estimated 3 000 producers who are supported by the Small Grower Development Programme and receive all the technical information that is generated by the potato industry.

<sup>1</sup>This is a huge issue on its own.

The share of the output of producers (mostly white farmers) that is exported to the international market remains small, at 8 %. Furthermore, the production in volume trends show that the transformation process is progressing, as indicated by the number of tons produced by the black farmers, which increased from 1 685 tons in 2012 to 2 469 tons in 2013. Most interesting is the increase from 8 213 tons in 2014 to 9 135 tons in 2015, although the trend decreased between 2016 and 2017, from 8 385 to 7 635 tons respectively. It comes as no surprise that the commercial sector retains the top spot in terms of volumes produced – an average of 200 million bags since 2012.

Table 1: Number of producers in the potato industry in 2017

Item	White	BLACK
Number of producers in the industry	532	+3000*
Number of producers supported by the industry trust	0	19**
Number of producers exporting to the international market	10	0
Share of producers' output exported to the international market	8%	0

\* Please note that this figure is black producers supported through the Small Grower Development Programme in partnership with the provincial departments of agriculture.

\*\* This figure is black producers supported through the Enterprise Development Programme.



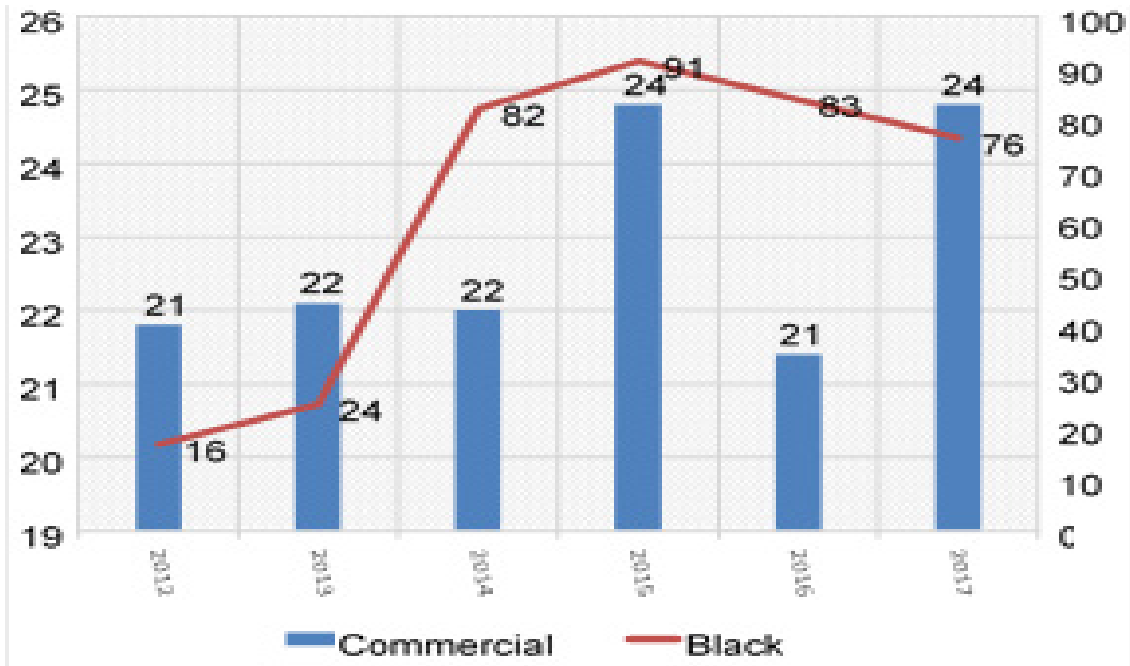


Figure 1: Production in volume trends to showcase transformation progress in the sector

### Wool Trust

Figure 2 presents the number of producers and wool volumes in the industry. The figure indicates that the number of producers in the wool industry is estimated to comprise commercial producers at a total of 8 000, and smallholder farmers who are estimated at over 40 000. In terms of the volume trends, the commercial producers still dominate, with a contribution averaging 45.7 %, while the smallholder producers average 4.4 % annually.

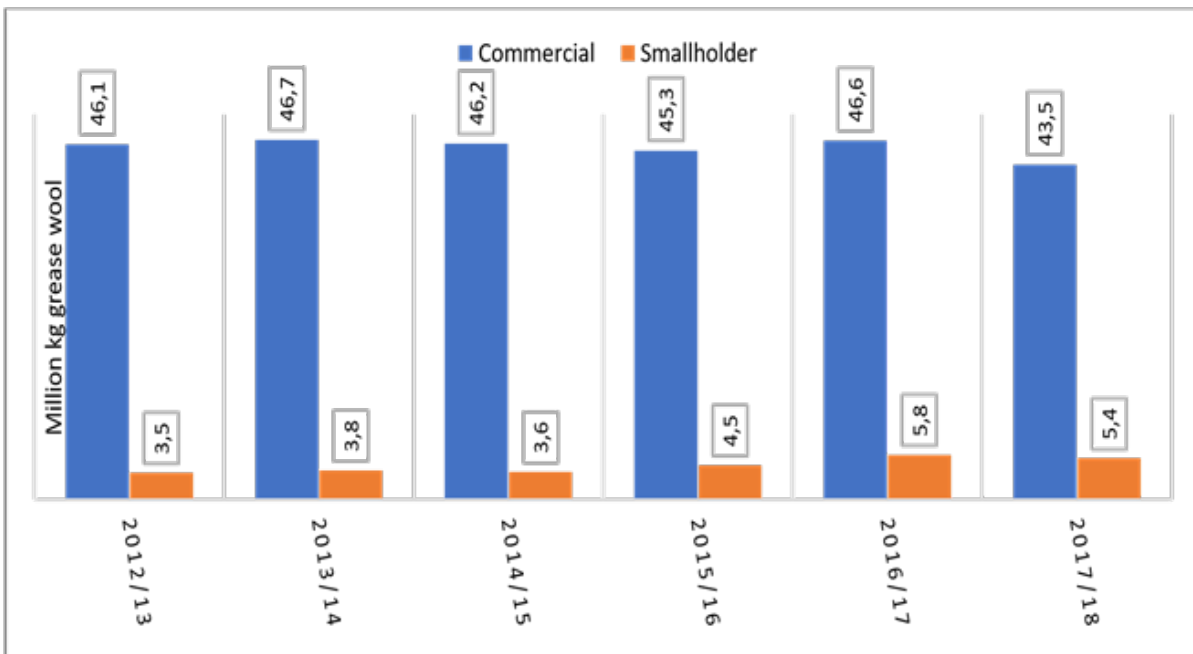
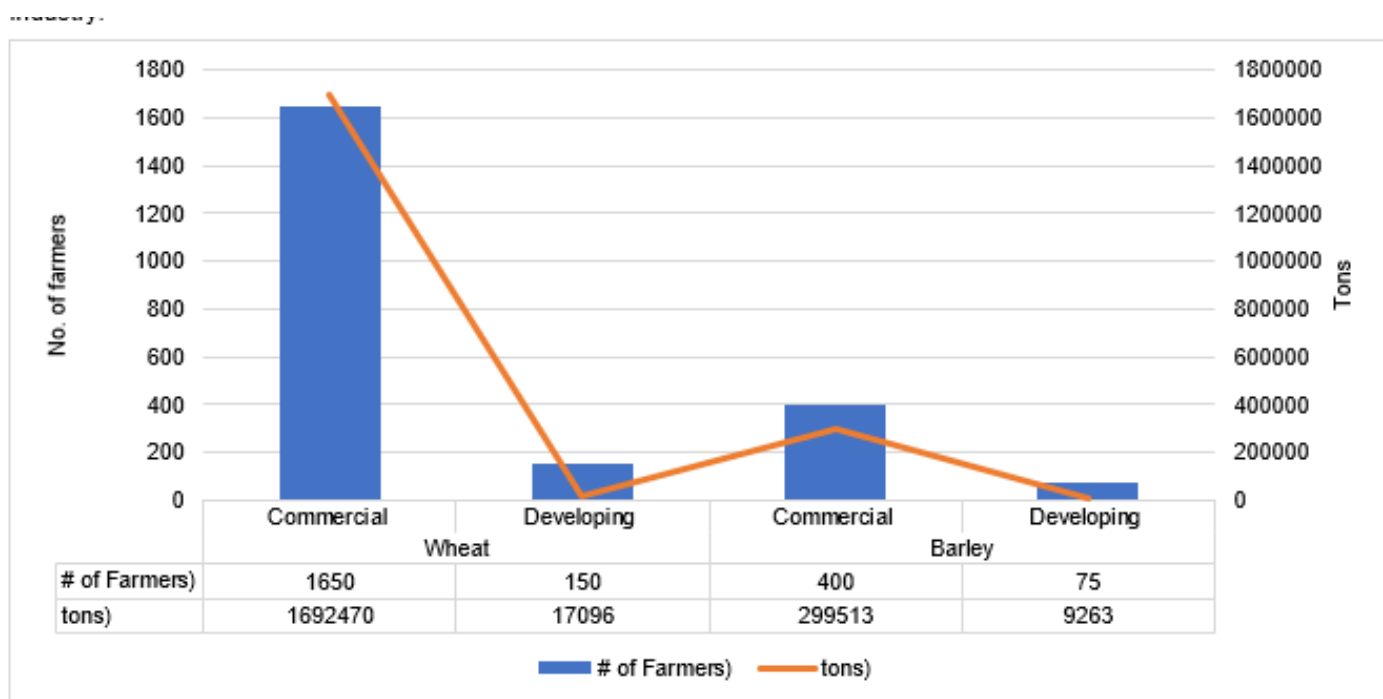


Figure 2: Production in volume trends to showcase transformation progress in the sector (Million kg grease wool)

## Winter Cereals Trust

The information presented is based on the figures published by SAGIS, based on the production of both wheat and barley primarily aimed at supplying the local market, and not the export market. Although the information on the number of farmers remains unconfirmed, it can be argued that the splits between commercial producers and developing farmers are likely to present the current status quo in the winter cereals industry.

As depicted in Figure 3, the number of commercial producers in the winter cereals industry is estimated at 1 650 for wheat and 400 for barley, while the number of developing farmers remains low, at 150 for wheat and 75 for barley. Moreover, the production trends in volume remain low for the developing farmers, which are currently estimated at 17 096 tons for wheat and 9 263 tons for barley, compared with that of the commercial farmers, at 1 692 470 tons for wheat and 299 513 tons for barley.



In conclusion, the capturing of trade and production information<sup>2</sup> for both the commercial and smallholder farmers remains equally important for the sector. The status quo in the agricultural sector needs to change so that increased market access can be realised for all participants. The contribution of agriculture to the mainstream GDP can also increase and lead to agriculture being recognised as one of the key economic sectors in South Africa. Furthermore, collaboration and unity among government, civil society, commodity associations and farmers (both black and white) are deemed necessary in terms of advancing transformation within the sector<sup>3</sup>.

*“We are equally responsible for the success and failures of the sector we operate within.”*

<sup>2</sup>The information gaps identified in this article are based on the information supplied by the respective industry trusts.

<sup>3</sup>The transformation work of all the trusts is commendable. However, the gaps in the trade and production data cannot be ignored.



# SOUTH AFRICAN MOHAIR INDUSTRY: A GLOBAL LEADER

By Bonani Nyhodo

## 2.1. Introduction

South Africa and her own sons and daughters and indeed, the whole continent of Africa need to be proud of the mohair industry as it remains a global leader. Just as Africa must be proud to be a world leader in the production of cocoa beans, it must be proud as a producer of mohair. The industry has faced many uncertainties and always emerged as a resilient world leader. It must be said that Lesotho is also a major player in the world mohair industry.

## 2.2. Industry Background

The South African mohair industry is old, with over 120 years of existence. The South African Mohair Growers' Association (SAMGA) was formed approximately 123 years ago, in 1896, in order to serve as the mouthpiece for growers. The historical records indicate that eight years after its formation, SAMGA broke down (or it ceased to exist), leaving a vacuum in the industry.

It is recorded that SAMGA was reformed in 1941 in Jansenville, with several leaders being elected at that meeting (names available from SAMGA). In 1949 the Mohair Board was established with the introduction of an export levy on exported mohair to fund a marketing scheme, research, and the promotion of mohair and its products.

The first auction of mohair in South Africa is said to have taken place in December of 1949, coming from a joint venture between the producers and the buyers' association. Two years after that first auction, through notices in the Government Gazette, a statutory levy on mohair was introduced to assist the industry in packaging its product offering, market globally, and conduct inspections of mohair destined for the export market. Later, the Mohair Advisory Board was formed to oversee the affairs of the mohair industry. The Board was abolished following the promulgation of the Marketing of Agricultural Products Act, No. 47 of 1996. This act facilitated the move away from single marketing channels to an open system. It must be said that the time of deregulation coincided with South

Africa's re-joining of the World Trade Organisation (WTO), the predecessor of the General Agreement on Tariffs and Trade (GATT), during its Uruguay Round.

### Mohair Industry Role-Players

The mohair industry started playing a role in transformation in 2007 and created its transformation vehicle, the Mohair Empowerment Trust, in 2011. The Mohair Empowerment Trust is housed within Mohair South Africa and is run by Ms Beauty Mokgwamme. The Empowerment Trust is currently working with about nine smallholder farmers and also uses the services of the industry veterinarian who is financed through SAMGA.

Mohair Trust (MT): is the body that inherited the assets of the Mohair Board. The Trust is governed by a Board of Trustees composed of industry stakeholders and a ministerial trustee (Ms Nomtha Hadi), who is the administrator of the Mohair Trust of Mohair South Africa. The trust funds the affairs of Mohair South Africa, as well as a reasonable proportion of the Mohair Growers' Association and also the affairs of the Mohair Empowerment Trust.

Mohair South Africa (MSA): plays an important role within the industry and is the custodian of industry marketing and market information. This organisation is a member of the World Wool and Mohair Textile Exchange of behalf of the South African mohair industry. Mohair South Africa plays an active role in product development and its representatives attend mohair-related world events that are of strategic value to the industry. MSA is run by Ms Lindsay Humphreys.

South African Mohair Growers' Association (SAMGA): is a producer organisation of the industry and is run by Ms Sanmarine Vermaak. The role of SAMGA is well explained in the background information.

South African Wool & Mohair Buyers' Association (SAWAMBA): represents an important part of the mohair as well as wool value chain as the off-takers of the growers' mohair. This organisation is made up of different industry brokers, traders, processor and buyers. The Association has buyers across the globe who source mohair from it. It is important to note that the mohair industry is being driven by capable women, with the industry playing an important role in the world textile industry, especially fashion, which is generally important to women the world over.

### 2.3. Deregulation

Industry funds: For the better part of 18 years or so, the mohair industry has relied on industry funds. The trust fund has grown tremendously over this period and has funded some major industry projects. The economic meltdown and the downgrading of the South African economy have meant reduced incomes from both onshore and offshore investment accounts, while industry challenges needing funding are increasing at an exponential rate, putting pressure on the trust assets. Recently the industry was faced with ethical trade concerns that led to pressure on the industry to ensure that its sustainability guidelines are aligned and implemented urgently. The cost of

dealing with the ethical trade matter resulted in more than R1.5 million being spent on a matter that was not budgeted for, but extremely important for the future of the industry.

Levy: The industry has started to look at levies as the new source of industry funding to relieve the pressure on the trust assets. The AGM deliberated on this matter and approved the launch of the process to get the statutory levy in place. The main focus of the levy income will be on industry research and product promotion, with 20 % going to the Empowerment Trust to increase its capital.

### 2.4. Conclusion

The South African mohair industry remains a world leader. The sustainability of this industry relies mostly on the proactiveness of the industry role-players in dealing with ethical trade matters, as well as funding for marketing to ensure that the producer has a market that pays good prices, and lastly that the industry plays its part in ensuring that black role-players are established and assisted to be sustainable and competitive.







# ASSET PERFORMANCE OF THE HORTICULTURAL TRUSTS

*By Nomantande Yeki*

## 3.1. Introduction

The horticultural industry is an important source of foreign earnings. The sector exists against the backdrop of statutory measures with levies as the main source of funding. The trust assets of the industry are small and play a minor role in the affairs of the industry, but remain strategic industry assets. The horticultural trusts are the Citrus Industry Trust (citrus fruit), the Potato Industry Development Trust (potatoes) and the Deciduous Fruit Industry Development Trust (deciduous fruit).

## 3.2. Background Information

The structure of South African agriculture is led by livestock followed by field crops and then horticulture. Interestingly, the gross value of the horticultural sector has been rising smoothly (increasing). It can be argued that the value of the exchange rate movements played a part, as did expansions. In South African agriculture, the horticultural industry is the biggest exporter, with fruits, especially citrus, being the main commodity leading the way, mostly destined for Europe but with Africa starting to emerge as a strategic market.

The funding of the horticultural industry, unlike maize, wool and mohair, is financed through statutory levies, mainly because the trust assets of the horticultural subsectors are much smaller compared to those of the other industries. By early 1998, all control boards were non-operational, and all assets were transferred to the agricultural industry trusts which were

given a clear mandate – that is to manage and grow the assets. Speaking of industry trusts, this article aims to compare the asset growth of horticultural trusts. It is important to note that all of these trusts inherited small assets.

## 3.3. Asset Performance Overview

The amount of trust assets since the deregulation of control boards has steadily grown, from around R677 million (in 1998) inherited assets to an estimated R2.4 billion by 2018. The share of the horticultural trusts at the outset stood at 4.5 % and changed to a 2.1 % share value, indicating a decline compared to other trusts.

Figure 4 below illustrates the asset performance over the past five years. The Potato Industry Development Trust is the only trust among all 12 trusts that was established with zero monetary assets or no inherited assets. Among the horticultural trusts, it is by far the biggest in terms of monetary assets. Currently, the trust's assets are valued at R19.2 million, positively increasing since its establishment in 2004. The Potato Industry Development Trust is followed by the Deciduous Fruit Industry Development Trust, which was established in 1998 with R13.7 million. Over the 19 years of its existence, it has indicated growth of R3.5 million. On the other hand, the Citrus Industry Trust has shown negative growth of R819 076 since its establishment in 1999 and is currently worth R15.8 million in monetary assets.

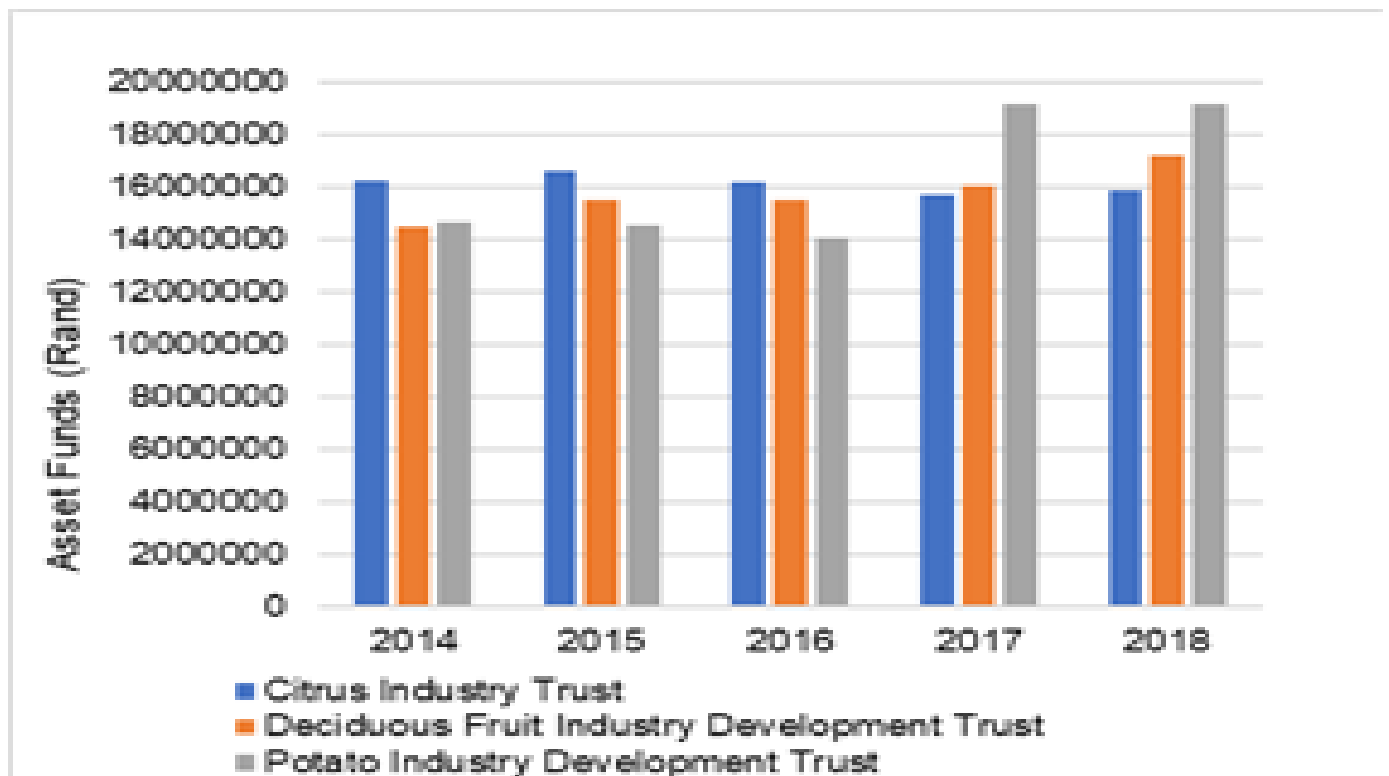


Figure 4: Asset funds and progress

### 3.4. What Has Been Observed in the Trusts as the Reasons for their Growth or Decline

The trusts, on a scheduled basis, arrange meetings constituted of both representatives of the industry and ministerial trustees. The NAMC sits in on these meetings with observer status and has observed the following as being among the reasons for the growth or decline in assets:

- Selection of investment managers; or
- Non-diversification of investment portfolio depending on the interests and risk appetite; or
- Allocation and utilisation of funds for the operations of the industry; and/or
- Deviation from the mandate and micro-managing of industry bodies.

\*these reasons exclude the obvious scenario of the South African economic position and its effect on investment performance.

### 3.5. Conclusion

Collectively the horticultural trusts are worth approximately R52 millions in monetary assets. It is important to always remember not to deviate from the mandate of the trusts in managing and growing the assets. Lastly, the investment world is volatile and unpredictable, promising no guaranteed returns on investment.



## MEET THE NEW MINISTERIAL TRUSTEES IN THE WINTER CEREALS TRUST AND MOHAIR TRUST

by Elekanyani Nekhavhambé

### 4.1. Introduction

Eleven agricultural industry trusts were formed after the deregulation of the former control boards within the sector of agriculture. Noteworthy is the representation of the Minister of Agriculture, Land Reform and Rural Development through appointed persons known as “ministerial trustees”. The role of the ministerial trustees is to monitor the performance of the trusts’ assets and ensure that the trusts’ monies are properly channelled into transformation activities.

### 4.2. Newly Appointed Ministerial Trustees

Recently, new appointments have been made within the Winter Cereals Trust (WCT) and the Mohair Trust. It is important that a short brief about each of them is presented for the agricultural community and the public to know who represents the Minister in both trusts.

#### 4.2.1. Newly Appointed Ministerial Trustees in the WCT

The Minister of the Department of Agriculture, Land Reform and Rural Development is represented by Dr Moshibudi Paulina Bopape-Mabapa, Mr Luvuyo Mabombo and Ms Sharon Thembi Xaba. Below are their professional profiles:

##### Dr Moshibudi Paulina Bopape-Mabapa

Dr Bopape - Mabapa is currently a lecturer in the Department of Plant Production, Soil Science and Agricultural Engineering at the University of Limpopo. She acted in the position of Head of Department from July 2016 to June 2017 within the same university. Throughout her career, she has been involved

in countless research initiatives and has produced several researchers. Furthermore, she participates in various conferences, both locally and abroad.

##### Mr Luvuyo Mabombo

Mr Mabombo has more than 15 years’ executive management experience in the private and public sectors. He is a multi-disciplinarian with experience from diverse business organisations within the fields of mining, consulting, FMCG, the oil industry, agriculture, exports and government. He is currently the Executive Chairperson and Chief Executive Officer of the ANSANO Group of Companies and Managing Director of Imbumba Network Solutions (Pty) Ltd. He is the former Chief Operating Officer in the office of the Eastern Cape Premier, Chief Executive Officer at PPECB, Chief Operating Officer and Chief Information Officer at the National Department of Agriculture, and Acting President and Chief Executive Officer at the ARC, to mention a few.

##### Ms Sharon Thembi Xaba

Ms Xaba is the Chief Executive Officer at the Deciduous Fruit Development Chamber of South Africa (DFDC-SA) and was previously the Project Manager at the National Treasury: Jobs Fund. She is also a Non-Executive Director at Crookes Brothers South Africa. Her educational background includes an undergraduate degree in Agriculture Management and a Master’s Degree in Development Finance from Stellenbosch University. In addition, Ms Xaba is currently a PhD (Business Management Administration) candidate.

#### 4.2.2. *Newly Appointed Ministerial Trustee in the Mohair Trust*

Ms Nomtha Hadi represents the Minister of the Department of Agriculture, Land Reform and Rural Development, and her professional profile is presented below:

#### **Ms Nomtha Hadi**

Ms Hadi is currently a lecturer at the Nelson Mandela University (NMU) Business School where she is responsible for Shipping and Ports Management, and a part-time lecturer in the Faculty of Business and Economic Sciences where she is responsible for Maritime Affairs and Coastal Development modules and practices. Ms Hadi possesses comprehensive experience and knowledge in Integrated Development Planning (IDP), which was acquired through her previous employment at the Nelson Mandela Bay Municipality, where she was an IDP Practitioner. Among her previous positions was as the Assistant Director responsible for stakeholder management in the Western Cape Department of Human Settlements, Stellenbosch University and the Department of Local Government and Housing. Most interestingly, Ms Hadi is currently a PhD candidate for Development Studies at the NMU, focusing on the future of South Africa's oceans economy towards 2060.

#### **4.3. Conclusion**

The NAMC would like to welcome the newly appointed ministerial trustees on board.

For more information, visit [www.namc.co.za](http://www.namc.co.za) or contact

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