



Transformation Digest

Issue No.: 13

In this issue we cover the following topics:

1. Citrus industry to generate about R1 billion from statutory levies in the next four years, and spend about R200 million on transformation. What could be the impact as per the pillars of transformation guidelines?
2. Transformation within the South African dairy industry: Highlights of the monitoring and evaluation exercise
3. Transformation business plans reviewed from April to August 2020

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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 following topics: (i) Transformation within the citrus industry in South Africa; (ii) Transformation within the South African dairy industry; and (iii) Transformation business plans reviewed from April to August 2020. The division has three digests, covering the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), Agricultural Transformation, and Agricultural Industry Trusts. Agri-Transformation Digest reports on the bi-monthly key developments coming from the transformation activities of different industries and trusts.

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1. CITRUS INDUSTRY TO GENERATE ABOUT R1 BILLION FROM STATUTORY LEVIES IN THE NEXT FOUR YEARS, AND SPEND ABOUT R200 MILLION ON TRANSFORMATION. WHAT COULD BE THE IMPACT AS PER THE PILLARS OF TRANSFORMATION GUIDELINES?

By

Mr Matsobane (BM) Mpyana & Dr Ndumiso Mazibuko

Globally, citrus fruit is one of the most popular and widely produced fruit types. Citrus is produced in growing regions on all the continents with the exception of Antarctica. About three quarters of global citrus production is produced in the Northern Hemisphere. Most of the citrus fruit is produced in the USA and around the Mediterranean; however, Brazil is the largest producer of citrus. South Africa is largely focused on the export of citrus. The South African citrus industry is the largest citrus exporter in the Southern Hemisphere and accounts for more than 60 % of Southern Hemisphere citrus exports. South Africa is the second largest citrus-exporting country after Spain. In South Africa, citrus types are produced in various climatic regions throughout the country, and production is expanding rapidly throughout the country. The main production regions are located in the Limpopo, Eastern Cape, Mpumalanga and Western Cape provinces, with other provinces also producing citrus.

In terms of funding generic activities in the citrus industry, the Citrus Growers' Association of Southern Africa is the applicant of the statutory measure in terms of levies, records and returns, and registration. The Marketing of Agricultural Products Act (No. 47 of 1996) provides that an industry may apply for the statutory measures, provided that the procedures outlined in the Act are met, which means that the Minister can only consider a request for the establishment of statutory measures if the request is in line with Section 2 of the MAP Act.

The objectives of the Act are as follows: (i) The increasing of market access for all market participants; (ii) The promotion of the efficiency of the marketing of agricultural products; (iii) The optimisation of export earnings from agricultural products; and (iv) The enhancement of the viability of the agricultural sector. The conditions for approval are that 70 % of the total levy income can be used for industry generic functions (such as research, promotions, and consumer education), 20 % on transformation and 10 % on administration.

The CGA Grower Development Company (CGA-GDC) is a non-profit company that was established in 2016 with the primary objective of making a significant impact on the transformation of the citrus industry. The operations of the CGA-GDC are funded through the Citrus Growers' Association of Southern Africa from a levy received from citrus growers. The transformation strategy implemented through the CGA-GDC focuses on the four pillars of transformation, namely: enterprise development and supplier development; skills development; management control and ownership, and socio-economic development. Black-owned citrus enterprises are assisted with business plan development to enable them to access grants and loan funding. These business plans serve as a means to access financial support from programmes such as CASP and PLAS. This approach further assists in improving access to markets by funding accreditation with certifications such as SIZA.

In matching the transformation levy, the industry, through CGA-GDC, has undertaken the establishment of a support fund aimed at providing blended finance to black-owned citrus enterprises. The company works closely with various partners such as the Jobs Fund and the Department of Agriculture, Land Reform and Rural Development. The approach to the funding principle is aimed at funding orchard development, infrastructure development, tools and equipment, production costs and skills development costs aligned to enterprise development.

The impact of an increase in the transformation levy will therefore be on these pillars, and over the four years of the levy cycle (2021/24) an increase can be outlined as follows:

Activity	Year 1 (R' m)	Year 2 (R'm)	Year 3 (R'm)	Year 4 (R'm)	Total (R'm)	Percentage
Enterprise development	28, 4	28, 9	30, 8	32, 6	120, 8	60 %
Skills development	8, 1	9, 9	8, 5	9, 2	35, 8	18 %
Management control and ownership	7, 4	7, 6	9, 8	8, 9	33, 7	17 %
Socio-economic development	2, 0	2, 0	2, 3	3, 9	10, 3	5 %
Total expenditure	45, 9	48, 5	51, 4	54, 8	200, 5	100 %

In conclusion, the statutory measure system in South Africa plays a significant role in ensuring the country's competitiveness in global citrus markets. Furthermore, this plays a critical role in driving transformation in the citrus industry and ensuring employment creation. The citrus industry is applauded for the excellent work done in the development of farmers in this sector. The NAMC will keep track of the deliverables on transformation in the citrus industry.

2. TRANSFORMATION WITHIN THE SOUTH AFRICAN DAIRY INDUSTRY: HIGHLIGHTS OF THE MONITORING AND EVALUATION EXERCISE

By
Mr Elekanyani Nekhavhambe & Dr Ndumiso Mazibuko

2.1. Background

The National Agricultural Marketing Council's (NAMC) Transformation Review Committee (TRC) was invited by Milk SA to conduct site visits to their dairy industry transformation projects in the Free State, KwaZulu-Natal, Eastern Cape and North West provinces between 7 and 11 September 2020. The purpose of the visit was to conduct a Monitoring and Evaluation (M&E) exercise on the progress of the transformation projects funded through the 20 % budget from the Milk SA annual statutory levy income.

In 2011, Milk SA established a programme titled "*Promotion of Sustainable Commercialisation of Existing Black Dairy Farmers*" funded by the same money. This initiative mainly aims to promote the development of existing black milk producers to become sustainable, commercial milk producers. It further aims to optimise the level of milk production through the supply of cows and to optimise the level of milk production through infrastructural and other support services. This initiative was started in the Free State Province. Noteworthy, it has now expanded to other provinces such as KwaZulu-Natal, Eastern Cape and North West.

This article highlights the background of the projects that were visited. It is important to note that there are many positives in the relationship between Milk SA and the beneficiaries of its transformation expenditure. All the farmers visited appreciated the assistance from Milk SA and outlined the following:

- The off-take agreement features of the approach;
- Infrastructure support ranging from the upgrading of milking parlours to the installation of electricity;
- Fodder flow and the animal health aspect;
- The flexibility to purchase farm inputs in ensuring the success of the venture; and

- The selection criteria that seem to achieve the best results.

Noteworthy, the contribution of local government to the transformation of black entrepreneurs within the South African dairy industry is visible. It was evident that some of the farmers had received infrastructural support from government programmes such as CASP and had also been provided with cattle. Both forms of support from Milk SA and Government complement each other, and without a doubt will bring about positive outcomes in South Africa's agricultural sector transformation.

2.2. Projects visited

The section below narrates the highlights of milk production and job creation by the projects visited. In total, 15 projects were visited, of which six (6) were also visited in 2018. Table 1 provides the milking rate between 2018 and 2020 of the six (6) projects. In 2018, Farmer 3 had 24 cows milking on average 14.6 litres per cow per day, which was higher than the average milk production in 2020, which was on average 10 litres per cow per day. The reason for the decline in average milk per cow depends heavily on the availability of quality feeds and how the farmer feeds the cows. Farmer 4 had 15 milking cows in 2018 and 32 in 2020. It is commendable that the farmer is consistent with the milking rate, which is, on average, 13 litres per cow per day for both years. Despite the increasing number of milking cows, the production of milk for Farmer 1 and Farmer 3 in 2020 dropped compared to their milking rate in 2018.

In total, 12 of the 15 projects visited had created 78 permanent jobs (Sum of Table 1 & Table Jobs) on their farms. The expansion of these farms could make a positive contribution to the number of jobs created over time.

Table 1: Comparison of the six farms' milking rates between the years 2018 and 2020

Project	Year 2018		Year 2020		Workers
	Milking cows	Average litres/cow	Milking cows	Average litres/cow	
Farmer 1	20	9	27	6	5
Farmer 2	56	12.5	84	10.7	8
Farmer 3	24	14.6	32	10	8
Farmer 4	15	13.1	30	13	5
Farmer 5	27	13.0	28	8	4
Farmer 6	20	9.5	46	15	6

Source: NAMC M&E findings (September 2020)

Table 2 shows the production milking rate for the additional nine projects that were visited for the first time since the inception of the Milk SA transformation initiative. Farmer 10 has a new dairy farm and is expecting to start milking 17 cows at the end of September. Due to the choice of Ayrshire breed, her expected milking rate is 20 litres per cow per day compared to other farmers whose focus is on Holstein and Jersey cows. Farmer 8 and Farmer 12 (53 and 80 milking cows respectively) were producing on average 14 litres per cow per day. Farmer 15 and Farmer 7 were producing 13 and 12 litres per cow per day, respectively. Farmers 9, 13 and 14 were producing on average less than 7 litres per day per cow. Farmers pointed out the issue of fodder flow as the most impeding factor to the improvement of their milking rate.

Table 2: Milking rate of the other nine projects visited for the first time in 2020

	Milking cows	Average litres/cow	Workers
Farmer 7	34	12	3
Farmer 8	53	14	-
Farmer 9	56	7	5
Farmer 10	17	20	4
Farmer 11	74	10	7
Farmer 12	80	14	12
Farmer 13	24	5	-
Farmer 14	67	5	11
Farmer 15	14	13	0

Source: NAMC M&E findings (September 2020)

2.3. Challenges facing dairy entrepreneurs

One of the challenges affecting black entrepreneurs in optimising their productivity in the dairy industry is that such development requires the joining of hands by the government and the commodity organisation (Milk SA), as well as other role-players within the dairy industry value chain such as marketers (processors) who collect milk from these farmers. The following challenges were raised:

- Infrastructure upgrades: one of the challenges highlighted by farmers was the lack of adequate infrastructure.
- Pasture management and fodder flow: farm records are very clear that most of these farmers get the best from their cows during the summer months when conditions are good, and that there are changes in winter mainly due to poorer nutrition.
- Access to veterinary services: there are still challenges in terms of farmers accessing veterinary services, which are essential in ensuring the health of the cows. It appears that in some parts, farmers even struggle with the testing of their milk.

2.4. Conclusion

The milk industry, through the utilisation of statutory measures, is doing great work that is helping the country to fulfil its food security objective. This work is aimed at ensuring that the industry is profitable, internationally competitive and sustainable in an ethical way. Milk SA needs to be commended for its work in this regard. Provincial governments are proving to play a crucial role in speeding up the successes of such industry transformation. Milk SA's transformation model is an effective model of enterprise development, involving working with dedicated women and men to develop them from humble beginnings into sizeable farmers on a commercial scale.

3. TRANSFORMATION BUSINESS PLANS REVIEWED FROM APRIL TO AUGUST 2020

**By
Nomantande Yeki**

3.1. Introduction

In advancing transformation, the NAMC has a committee called the Transformation Review Committee (TRC), which is responsible for monitoring and evaluating all transformation initiatives that are funded by the levies. The TRC performs all duties related to transformation within the NAMC, providing guidance and support to the industries as guided by the NAMC's transformation guidelines.

Each industry levy administrator is required to submit an annual business plan clearly outlining the transformation activities envisaged for that particular year. Once the TRC receives the business plan, comments and inputs can be made and, in some cases, a meeting with the industry is organised to discuss the plans further. Levy administrators are advised to compile their annual business plans in accordance with the NAMC's transformation guidelines.

3.2. Business plans reviewed in five months

The purpose of this article is to highlight the business plans that the TRC reviewed from April until August 2020. Thus far, seven industries have submitted their business plans, namely the South African Table Grape Industry (SATI), South African Wine Industry (SAWIS), Raisins South Africa, the Red Meat Industry Forum (RMIF), Winter Cereals Trust (WCT), South African Cultivar and Technology Agency (SACTA) and South African Olive Industry Association (SA Olive).

The general impression of these business plans is that they are in line with the NAMC's transformation guidelines. However, to realise much-needed transformation and impact, industries need to ensure that numbers do not chase numbers, which means that industries can target reduced numbers while ensuring the impact is high and prioritised, with a framework that shows development and impact. It must be noted that each of the business plans received specific comments that are to be addressed to help fasten and focus the

interventions. Lastly, for some industries that applied for the continuation of levies, the Statutory Measures Division investigates and communicates the Minister's decision once finalised.

3.2. Conclusion

Once business plans have been approved, one of the key duties of the TRC includes carrying out Monitoring and Evaluation (M&E) of the transformation initiatives implemented by the industries. These initiatives are monitored and evaluated based on the approved business plans that were reviewed by the TRC in line with the guidelines. These M&E processes include farm or enterprise visits, engaging both beneficiaries and the industry, which is one form of tracking the impact of these transformation initiatives and strategically planning forward.

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