



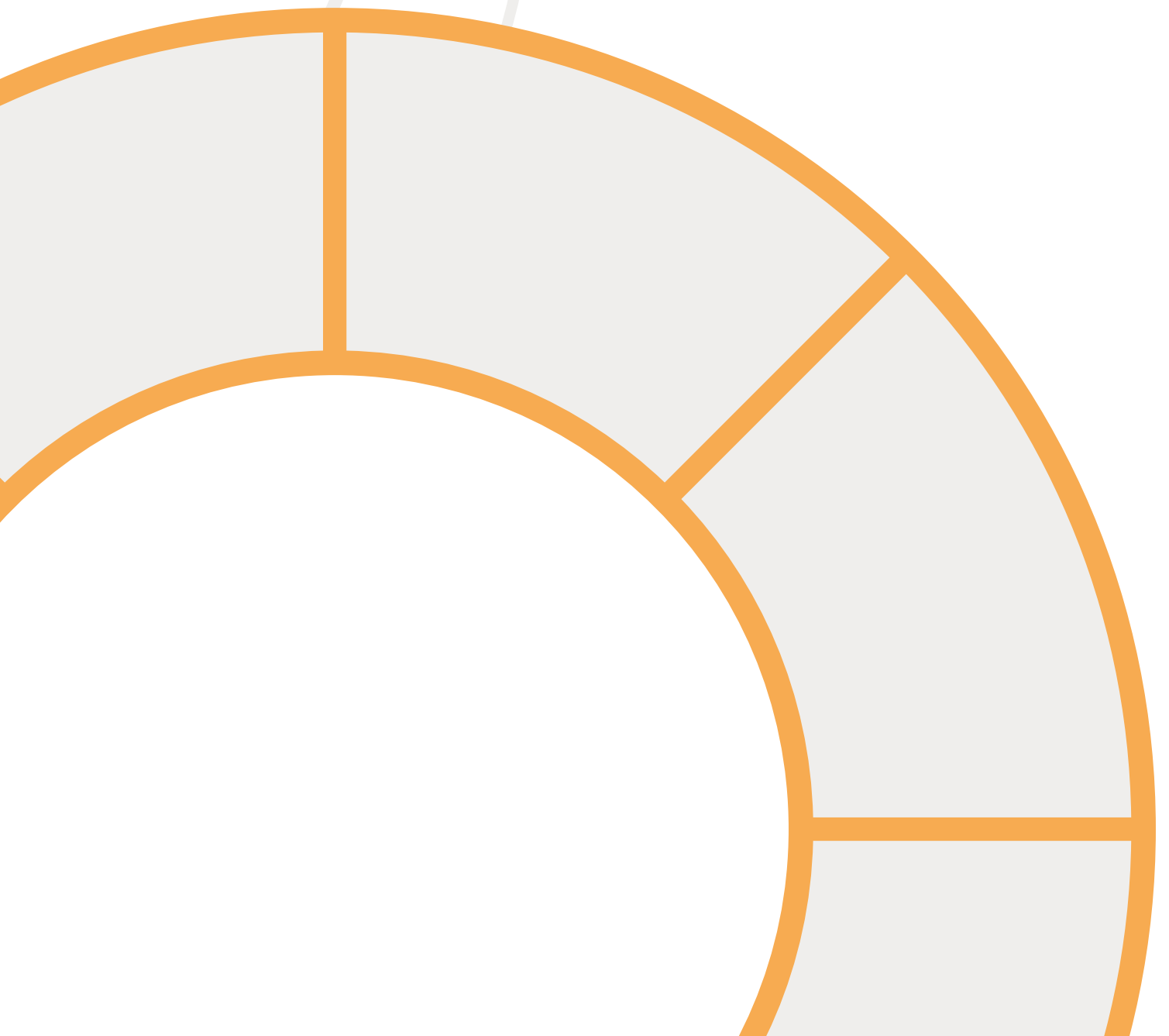
# NAMMC

Promoting market access for South African agriculture



# ANNUAL REPORT 2019/20



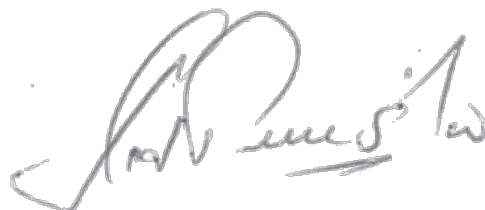




# National Agricultural Marketing Council

## Annual Report on Predetermined Objectives 2019/20

I have the honour of submitting the Annual Report for 2019/20  
of the National Agricultural Marketing Council (NAMC)



Acting Chairperson of the  
National Agricultural Marketing Council



### DID YOU KNOW?

The NAMC coordinates the #LoveRsaAgric initiative with the support of the Agricultural CEO's Forum. The core objective of Love South African Agriculture campaign is to promote appreciation of South African agriculture and bring about brand awareness of various agricultural products.





# About NAMC

The NAMC was established in terms of the Marketing of Agricultural Products Act No. 47 of 1996, as amended by Act No. 59 of 1997 and Act No. 52 of 2001. We are a statutory body reporting to the Minister of Agriculture, Land Reform and Rural Development.

Our mandate is captured in our four core divisions namely:



**Agribusiness Development**



**Agricultural Trusts**



**Statutory Measures**



**Markets and Economic Research Centre (MERC)**



### Our Vision

Strategic positioning of agriculture in a dynamic global market.



### Our Mission

To provide marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa.

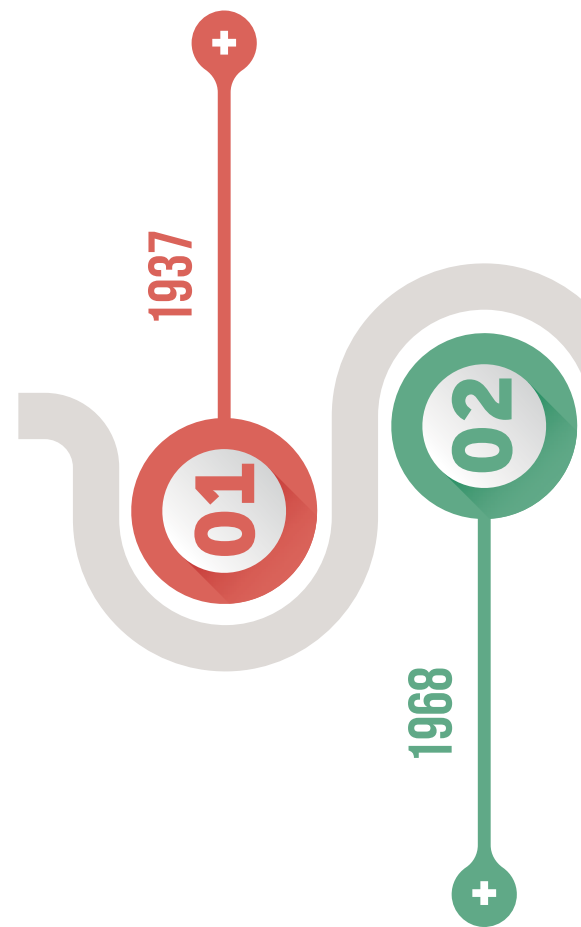
The work of the NAMC is aligned to the four strategic objectives as set out in Section 2 of the MAP Act, 1996 namely:





The National Marketing Council (NMC) formed to administer the 1937 Marketing Act and advise the Minister of Agriculture on the provision of the Act.

# Evolution of National Agricultural Marketing Council



One of the intentions with the promulgation of the MAP Act was that the NAMC should operate “at arms-length” from the Department and subsequently became a statutory body. This meant that the NAMC will be only administering the MAP Act thereby serving as an advisory body. It also applied to the deregulation of the former Control Boards to Industry Trusts.

Marketing Act of 1937 was replaced by the 1968 Marketing Act

NMC changed to the National Agricultural Marketing Council

MAP Act amended to inter alia make provision for certain aspects regarding the transfer of staff from the Department to the NAMC

By this period, 80% of total agricultural production was subjected to statutory measures in South Africa



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# LIST OF ABBREVIATIONS

AEASA	Agricultural Economics Association of South Africa
AFRICAP	Agricultural and Food-system Resilience: Increasing Capacity and Advising Policy
Agri-BBBEE	Agricultural Broad-Based Black Economic Empowerment
APAP	Agricultural Policy Action Plan
CEC	Crop Estimates Committee
CELC	Crop Estimate Liaison Committee
CFP	Custom Feeding Programme
DAFF	Department of Agriculture Forestry & Fisheries
DAGs	Directly Affected Groups
DTI	Department of Trade & Industry
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
GCRF	Global Challenge Research Fund
GDP	Gross Domestic Products
ICT	Information and Communication Technology
ITAC	International Trade Administration Commission
MAP ACT	Marketing of Agricultural Products Act
MERC	Markets and Economic Research Centre
MTSF	Medium Term Strategic Framework
NAMC	National Agricultural Marketing Council
NDP	National Development Plan
NRMDP	National Red Meat Development Programme
PPECB	Perishable Products Export Control Board
SAGAP	South Africa GAP
SIP	Strategic Infrastructure Plan
Tralac	Trade Law Centre of Southern Africa

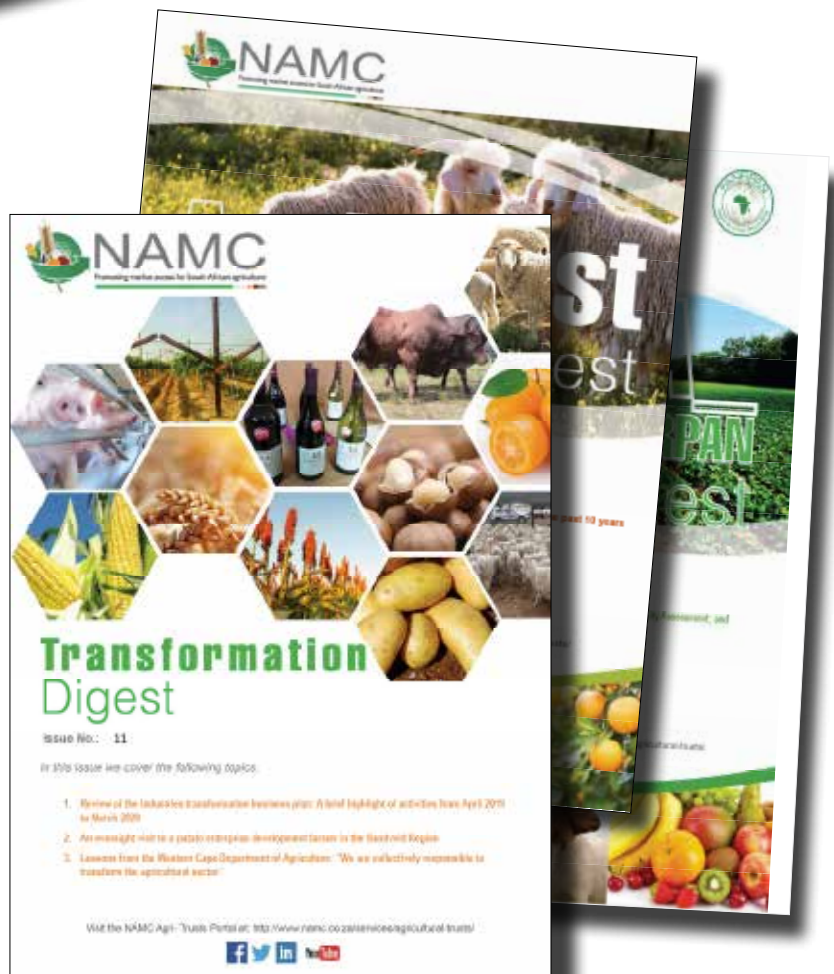
# AGRICULTURAL INDUSTRY TRUSTS

“ The Division was established to manage and coordinate the communication process between the Minister for Agriculture, Land Reform and Rural Development and Agricultural Industry Trusts ”

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# PART A

GENERAL INFORMATION

# GENERAL INFORMATION

## 1.1 Public Entity's General Information

REGISTERED NAME:	National Agricultural Marketing Council
PHYSICAL ADDRESS:	Block A, 4th Floor 535 Francis Baard Street, Arcadia Pretoria, 0002
POSTAL ADDRESS:	Private Bag X 935 Pretoria 0001
TELEPHONE NUMBER:	012 341 1115
FAX NUMBER:	012 341 1811
EMAIL ADDRESS:	info@namc.co.za
WEBSITE ADDRESS:	www.namc.co.za

# THE COUNCIL



**Mr. Harry Prinsloo**  
*Acting chairperson*



**Ms. Fezeka Mkile**  
*Council Member*



**Mr Happy Mohane**  
*Council Member*



**Mr Boikanyo Mokgatle**  
*Council Member*



**Prof Diale Rangaka**  
*Council Member*



**Mr Gerhardus Schutte**  
*Council Member*



**Ms. Nonie Mokose**  
*Council Member*



**Mr. Zandisile Wapi**  
*Council Member*



**Mr. Sindile Sid Faku**  
*Council Member*



## 1.2. Report by the Accounting Authority



**Mr. Harry Prinsloo**  
*Acting Chairperson*

“ *Through the stormy weather, we will overcome.* ”

During the 2019/2020 period, as Council, we acknowledged that the National Agricultural Marketing Council (NAMC) endured significant storms, which had the potency to disrupt the organisational performance, but suffice to say we emerged unscathed.

One of the challenges was to step in as Acting Chairperson of the Council, followed by the resignation of two other Council members. We are pleased that the Minister of Agriculture, Land Reform and Rural Development, Honourable Minister Thoko Didiza MP, has undertaken to fill this void.

Nonetheless, we were pleased with the current status of performance. Overall, we continued with the provision of policy advisory services as charged by the MAP Act mandate. The Status of Statutory Measures reflected that industry trusts were committed to spending on transformation.

According to the 2019 survey, approximately 19.0% (R116.6 million) was spent on transformation projects, compared to R113.4 million reported in the previous survey, which is an increase of 2.8%.

Our agricultural products fared better during the financial period under review, especially the fruit sector. The horticultural industries, namely the citrus, deciduous fruit, table grape and wine industries, spent a major portion of their statutory funds on export promotion activities. This is how the NAMC contributes towards the broad goal of optimising export earnings from South African agricultural products through the administration of statutory levies.

Minister, we recognise the importance of providing market access to smallholder farmers and emerging agro-processors. Our baseline study on market access for 66 sampled broiler farmers in South Africa was concluded in eight (8) provinces.

Interestingly, the study showed that abattoirs remained the most prominent marketing channel for smallholder broiler producers, followed by the local informal market. We are confident that the valuable insights from this study can aid the poultry industry and government in planning better for broiler farmers.



Also, during the period under review, the NAMC engaged Fresh Mark, Food Lover's Market, Spar Group, Pick n Pay, Woolworths, Tshwane Market, Joburg Market, Dusorts Alljoy, VKB and Makhado Rhodes Food Group to source market information and requirements that will enable the farmers to supply these markets. Up to 197 certified farmers in Limpopo and Gauteng were identified to supply these markets, and the NAMC is in the process of completing a project framework.

The industry trusts are key vehicles to drive transformation in the agricultural sector. The trusts currently spend over R65,7 million on transformation, which represents an increase of 7,03 % from R61,4 million in 2017/18, funding key activities relating to enterprise development and in line with the NAMC's transformation guidelines published in 2018. The NAMC prescribes that industry should spend at least 20 % on transformation, and the industry trusts spend over 30 % of their transformation budget allocation on transformation within key activities such as enterprise development and skills development.

Minister, we can safely report that there has been significant progress in the implementation of transformation guidelines by industry trusts. Trust interventions in enterprise development have provided room for some of the smallholder farmers to graduate to commercial ranks. Evidence of these successful stories can be found in our quarterly Agri Industry newsletter.

During the financial year under review, the NAMC worked with the Department of Agriculture, Land Reform and Rural Development (DALRRD) to compile the Agriculture and Agro-processing Master Plan (AAMP). Due to the commitment to support the mother body in all aspects of policy areas, the DALRRD formally appointed the NAMC as the co-ordinator for the project. The AAMP seeks to identify bottlenecks that have constrained the growth of the sector and also excluded many potential participants.

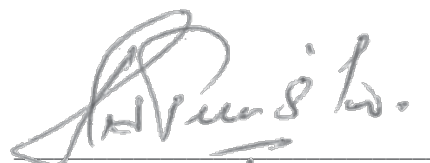
Credence must be given to the key players in the agricultural value chain, who are committed to supporting the NAMC in the execution of its mandate – firstly, the provincial departments of agriculture of KwaZulu-Natal, North West and the Eastern Cape, in ensuring that the National Red Meat Development Programme continues even under strained conditions; and secondly, the commodity groups and other stakeholders in providing data to enable creation of intelligence published in our regular research reports. Such support has given us a firm basis on which to adequately advise the Minister on the marketing of agricultural products.

Thirdly, we cannot forget our farmers who are the pillar of the economy. The resilience of our sector was further highlighted by Stats SA GDP stats, which showed how agriculture became the mainstay of the economy twice during the period under review.

We look forward to assisting the agricultural sector and contributing towards enhancing its viability both locally and globally. The AAMP is the beginning of such a process.

Minister, we would like to thank you for your overwhelming support to the NAMC. On behalf of Council, we will strive to position the NAMC as the centre of agricultural marketing intelligence.

To my fellow Council members, Dr Simphiwe Ngqangweni and Ms Sarah Netili (who both acted as CEOs during the better part of the period under review), management, staff and stakeholders at large, we thank you for your unwavering commitment to servicing the sector.



**MR JH PRINSLOO**  
Acting Chairperson  
National Agricultural Marketing Council  
Date: 06/10/2020

### 1.3. Report of the Accounting Officer



**Dr Simphiwe Ngqangweni**

*Chief Executive Officer*

As the acting CEO during part of the period under review, I witnessed the NAMC endure a number of challenges. Council became adamant that the NAMC needed to take another look at itself and define its contribution to the national consciousness of agriculture.

Together with senior management colleagues, we then set about collecting industry thoughts and advice. The NAMC was first to put up its hand in areas that spoke to the role and responsibilities of the Marketing of Agricultural Products Act (MAP Act). As the Acting Chairperson has indicated, the NAMC also enhanced its role in the process of compiling the Agriculture and Agro-processing Master Plan (AAMP).

The NAMC, as a node host institution for the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), finalised the GCRF–AFRICAP household survey on climate change amongst smallholder farmers in the Free State Province. Again, pursuant to fulfilling the objectives of the MAP Act, the NAMC, representing agriculture, was able to submit comments on the Draft National Climate Change Adaptation Strategy gazetted on 6 May 2019 (Reference No. 42446).

With regard to the statutory measures function, the relationship with industry trusts and levy administrators is on a sound footing.

Honourable Minister, we are happy to report that the total funds collected through statutory levies as part of the 2019 survey amounted to approximately R641.2 million, which is 8.8 % higher than the 2018 survey's reported R589.2 million. This bodes well to indicate the role played by levies in ensuring the viability of the sector and the important co-ordination function of the NAMC in the process.

The National Red Meat Development Programme (NRMDP) continues to be lauded for its visible impact on the livelihoods of communal livestock communities in the Eastern Cape, North West and KwaZulu-Natal provinces. Our contract on the implementation of the NRMDP with the former Department of Rural Development and Land Reform will soon come to an end. Through fruitful engagements with Director-General Mdu Shabane, efforts are underway to transition the programme to the Agriculture Research Centre. The NAMC will continue to play a role in this important programme, but only limited to areas of its mandate, and to ensure that the gains achieved thus far are maintained and enhanced further as the programme is expanded into the rest of the country.

On corporate governance matters, we are pleased to receive an unqualified audit opinion, with findings and we commit to work towards improving the opinion to a clean status. The Auditor-General's adverse findings on performance information underly the need to look for lasting solutions in ensuring that our performance indicators and targets are SMART going forward. We are appreciative of the guidance given by the Council and its subcommittees in this regard.

In conclusion, I would like to thank the Honourable Minister Thoko Didiza MP and Council for leading the way in various strategic areas. Without the NAMC management and staff, it would not have been possible to sail the ship.

To all our stakeholders, we express our gratitude and sincere appreciation for all the work you do with the NAMC.



Dr Simphiwe Ngqangweni  
Chief Executive Officer  
National Agricultural Marketing Council  
Date: 06/10/2020

### 1.4. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent. The annual report is complete, accurate, and free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury. The Accounting Officer is responsible for the preparation of the annual financial statements and the judgements made in this information. The Accounting Officer is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2020.

Yours faithfully



Dr Simphiwe Ngqangweni  
 Chief Executive Officer  
 National Agricultural Marketing Council  
 Date: 06/10/2020

### 1.5. Strategic Overview

#### 1.5.1 Vision

Strategic positioning of agriculture in a dynamic global market.

#### 1.5.2 Mission

To provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa.

#### 1.5.3 Core Business Values

The following values are adopted as our commitment to entrench and deepen the “NAMC way”, in both our behaviour and our service offering.



#### Integrity

Honest | Ethical | Trustworthy | Transparent



#### Assertiveness

Accountable | Responsible | Reliable | Taking ownership | Confident



#### Collaboration

Consultative | Teamwork | Participative | Co-operative



#### Service excellence

Performance driven | Target oriented | Service oriented | Motivated | Committed | Diligent



#### Fairness

Equal treatment | Respectful | Tolerance | Consistency



#### Objectivity

Analytical | Rational | Attention to detail | Conceptual



#### Innovation

Creative | Proactive | Adaptive | Flexible | Initiative

## 1.6. Legislative and Other Mandates

The NAMC was established in terms of sections 3 and 4 of the Marketing of Agricultural Products Act, No. 47 of 1996 (hereinafter referred to as the MAP Act), as amended by Act No. 59 of 1997 and Act No. 52 of 2001.

The mandate, as spelt out in the MAP Act, reads as follows:

“The NAMC shall, when requested by the Minister or of its own accord, investigate the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency of the measures and, if necessary, proposing alternatives to the establishment, continuation, amendment or repeal of a statutory measure or other regulatory measure and report to and advise the Minister accordingly”.

Furthermore, section 9 (1) (e) of the MAP Act stipulates that the NAMC may undertake investigations and advise the Minister regarding:

- a) Agricultural marketing policy and its application;
- b) The co-ordination of agricultural marketing policy in relation to national economic, social and development policies, and international trends and developments;
- c) The possibilities for promoting the objectives of the MAP Act mentioned in section 2 (2) of the MAP Act; and
- d) The effect that the marketing of products has on the objectives mentioned in section 2 (2) of the MAP Act.

In addition, in terms of section 9 (1) of the MAP Act, the NAMC shall monitor the application of statutory measures and report to the Minister, and shall review such measures at least every two years. The arrangements for the accountability of the NAMC to the Minister for the National Department of Agriculture, Forestry and Fisheries are as follows::

- e) The Minister, as the Executive Authority of the NAMC, annually approves the Council’s budget and business plan before the beginning of each financial year.
- f) According to sections 53 (1) of the Public Finance Management Act (PFMA), No. 1 of 1999, read with section 29 (1) (1) of the Treasury Regulations issued in terms of the PFMA, the NAMC should submit a three-year strategic plan to the Executive Authority six months before the beginning of each ensuing financial year for its consideration and guidance.

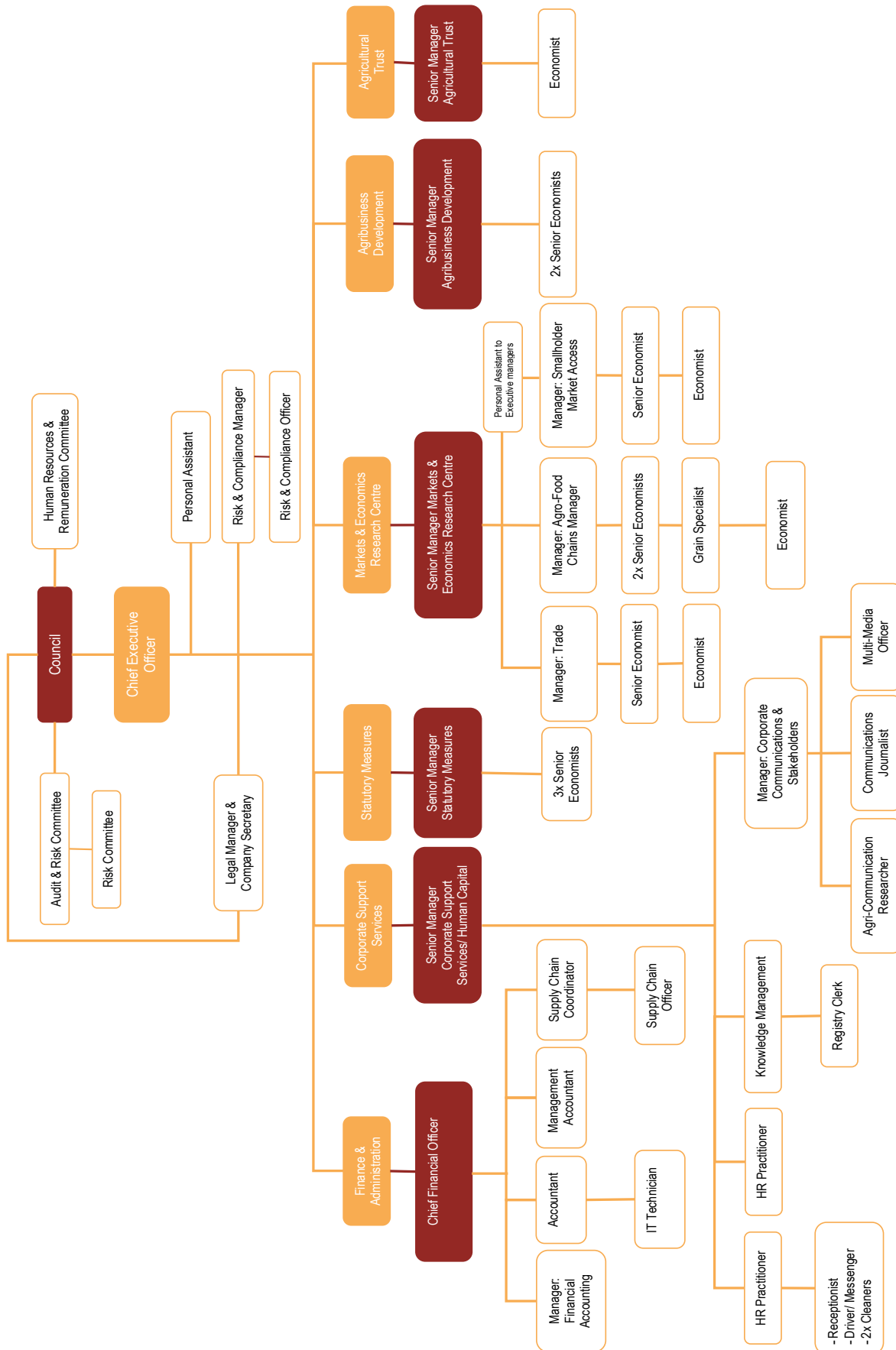
g) The NAMC, through submissions and quarterly reports, appraises the Minister of progress made on the approved business plan.

h) The Council, which is the Accounting Authority of the NAMC, sits at least four times per year to consider its business.

## 1.7. Entities Reporting to the Minister

The NAMC is a public entity reporting under the Minister of Agriculture, Land Reform and Rural Development. No public entities are reporting to the NAMC.

## 1.8. Organisational Structure





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Bongani Radebe

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# PART B

PERFORMANCE  
INFORMATION

# PERFORMANCE INFORMATION

## 2.1. Auditor General’s Report: Predetermined Objectives

Please see attached Annexure A: Auditor General’s Report.

## 2.2. Overview of the Entity’s Performance

### Key policy developments and legislative changes guideline

The aim of the NAMC is to provide strategic agricultural marketing advice to the Minister for the National Department of Agriculture, Land Reform and Rural Development and all directly affected groups in the agricultural sector. The goal is to promote the achievement of the objectives of the MAP Act, which are to:

- a) Increase market access for all market participants
- b) Promote the efficiency of the marketing of agricultural products
- c) Optimise export earnings from agricultural products, and
- d) Enhance the viability of the agricultural sector.

During the period under review, there were no policy developments or legislative changes.

### Strategic Outcome-Oriented Goals

Strategic Outcomes Oriented Goal	<ol style="list-style-type: none"> <li>a) Increasing market access to all market participants</li> <li>b) More efficient marketing of agricultural products</li> <li>c) Increased export earnings from agricultural products</li> <li>d) Enhanced viability of the agricultural sector</li> </ol>
Goal Statement	To provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system.

Five strategic business goals were identified as pillars underpinning the NAMC’s mission. These goals were aligned with five organisational programmes, of which the first goal is a support goal and the other four goals are in the line of business goals.

The NAMC will collaborate with the Department of Agriculture, Land Reform and Rural Development in the roll-out of the following key projects: market intelligence reporting; Statutory Measures and Agricultural Trust monitoring, Development Schemes design; and provision of Market Access Training Programmes.

## 2.3. Performance Information by Programme

### PROGRAMME 1: BUSINESS EXCELLENCE

Strategic objective	To ensure internal business excellence within the NAMC
Objective statement	To provide effective and efficient human resources, financial and supply chain management, risk management and general administrative support services to the NAMC
Justification	This aims to ensure that the NAMC functions optimally through effective business processes, corporate governance and resource support services
Links	Government outcomes 5 and 12 Government Priority 7 National Development Plan Agricultural Policy Action Plan

The programme is currently structured in accordance with the following sub-programmes:

- Office of the CEO
  - Corporate governance
  - Corporate planning
  - Strategic leadership
  - Enterprise risk management
  - Compliance function
  - Business continuity
  - Legal services
- Audit and finance
  - Financial management
  - Supply chain management
  - Audit
  - IT support
- Human Capital
  - Human resources strategy
  - Talent management
  - Employee relations
  - Workforce planning
- Marketing and communication
  - Stakeholder relations
  - Media relations
  - Public relations



**PROGRAMME 2: MARKET ACCESS TO ALL PARTICIPANTS**

Strategic objective	Increasing market access to all market participants
Objective statement	To promote production and marketing of livestock, field crops and horticulture from smallholder farmers through the facilitation of agribusiness development programmes
Justification	This aims to increase access to markets by smallholder farmers/agribusinesses
Links	National Development Plan Integrated Growth and Development Plan Agricultural Policy Action Plan Revitalisation of the agriculture and agro-processing value chain Government outcomes 4 and 7 2009 Government Priority 4 MAP Act objectives 1, 2, 3 and 4 State of the Nation address on national priorities

In order to increase market access to all participants, the following sub-programmes were formed:

- Smallholder market access research
- Financing of transformation through statutory levies
- Development scheme programme design and implementation facilitation
- Market access facilitation
- Industry transformation support

**PROGRAMME 3: EFFICIENCY OF THE MARKETING OF AGRICULTURAL PRODUCTS**

Strategic objective	Promote the efficiency of the marketing of agricultural products
Objective statement	To undertake value chain analysis and facilitate the implementation of statutory measures on information and research that contribute to the understanding and growth of the livestock, field crops, grains and horticulture subsectors
Justification	This aims to enable the agricultural sector to understand and collect information, to promote the efficiency of the marketing of agricultural products, to promote market access, to increase export earnings and, when required, control exports
Links	National Development Plan Integrated Growth and Development Plan Agricultural Policy Action Plan Government outcomes 4 and 7 Government Priority 4 MAP Act objectives 1, 2, 3 and 4

In order to promote the efficiency of the marketing of agricultural products, the following sub-programmes were put in place:

- Agro-food chain research
- Financing of information and research by statutory levies
- Agricultural capacity development facilitation

**PROGRAMME 4: EXPORT EARNINGS FROM AGRICULTURAL PRODUCTS**

<b>Strategic objective</b>	Optimise export earnings from agricultural products
<b>Objective statement</b>	To provide relevant agricultural trade advice and increase the amount allocated to export promotion through statutory levies in order to increase export of South African agricultural products
<b>Justification</b>	This aims to enable the agricultural sector to increase export earnings
<b>Links</b>	National Development Plan Integrated Growth and Development Plan Agricultural Policy Action Plan Government outcomes 7 and 12 2009 Government priorities 2, 4, 6 and 7 MAP Act objectives 1 and 4 Agri-BBBEE code

The following sub-programmes were created to optimise export earnings from agricultural products:

- Trade research
- Financing of export promotions and quality control by statutory levies
- Business linkages facilitation (technical support plans)

**PROGRAMME 5: VIABILITY OF THE AGRICULTURAL SECTOR**

<b>Strategic objective</b>	Enhance the viability of the agricultural sector
<b>Objective statement</b>	To increase the funding from statutory levies that is allocated to research
<b>Justification</b>	This aims to ensure that the viability of the agricultural sector is enhanced
<b>Links</b>	National Development Plan Integrated Growth and Development Plan Government outcomes 4 and 7 2009 Government priorities 2, 4 and 6 MAP Act objective 1 Agricultural Policy Action Plan (APAP)

In order to enhance the viability of the agricultural sector, the following sub-programmes will be embarked upon:

- Strategically integrated project co-ordination
- Registrations, records and returns
- Secretarial support for the Supply and Demand Committee, the Supply and Demand Liaison Committee and the Crop Estimates Committee
- Register of directly affected groups
- Agricultural industry trust support

## PROGRAMME 1: BUSINESS EXCELLENCE

### OFFICE OF THE CHIEF EXECUTIVE PERFORMANCE INFORMATION

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Business excellence	Compliance reports produced (n)	Compliance reports	Produce (4) compliance reports by the end of the financial year.	(4) Compliance reports were produced.	None	None
Business Excellence	Risk reports produced (n)	Risk reports	Produce (4) risk reports by the end of the financial year.	(4) Risk reports were produced.	None	None
Business Excellence	Council Committee secretarial support reports produced (n)	Council Committee secretarial support reports	Produce (4) Council Committee secretarial support reports by end of the financial year.	(4) Council Committee secretarial support reports were produced.	None	None
Business Excellence	Council Committee performance evaluation report produced (n)	Council Committee performance evaluation report	Produce (1) Council Committee performance evaluation report by the end of the financial year.	(1) Council Committee performance evaluation report was produced.	None	None
Business excellence	Strategic plan produced (n)	Strategic plan	Produce (1) Strategic plan by March.	(1) Strategic plan was produced.	None	None
Business excellence	Annual performance plan produced (n)	Annual performance plan	Produce (1) Annual performance plan in March.	(1) Annual performance plan was produced.	None	None
Business excellence	Performance information reports produced (n)	Performance information reports	Produce (4) Performance information reports by end of the financial year.	(4) Performance information reports were produced.	None	None
Business excellence	Annual report produced (n)	Annual report	Produce (1) Annual report by the end of the financial year.	(1) Annual report for financial year 2019/20 was produced.	None	None

**PROJECT MANAGEMENT**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Project management support	Project management reports produced	-	Project management reports produced	(4) Project management reports were produced.	None	None

**AUDIT AND FINANCE PERFORMANCE INFORMATION**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Finance and Administration support	The budget submitted for approval (n)	Approved budget	Submit (1) budget to Council for approval by 28 February 2019.4/2015	(1) the budget was submitted to Council for approval. /2015	None	None
Finance and Administration support	Annual statutory financial report produced within the prescribed time (n)	Annual statutory financial report	Produce (1) Annual Statutory Financial report by 31 July 2018.	(1) Annual Statutory Financial report was produced.	None	None
Finance and Administration support	Quarterly statutory financial reports produced within the prescribed time (n)	Quarterly statutory financial reports.	Produce (4) statutory financial reports by end of the financial year.	(4) Statutory financial reports were produced.	None	None
Finance and Administration support	Monthly statutory financial reports produced within the prescribed time (n)	Monthly statutory financial reports.	Produce (12) Statutory financial reports by the end of the financial year.	(12) Statutory financial reports were produced.	None	None
Finance and Administration support	BBBEE procurement reports produced (n)	-	Produce (4) BBBEE procurement reports by end of the financial year.	(4) BBBEE procurement reports were produced.	None	None

**INFORMATION TECHNOLOGY SUPPORT**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
IT support	IT performance reports produced (n)	IT performance reports	Produce (4) IT performance reports by end of the financial year.	(4) IT performance reports were produced.	None	None

**HUMAN CAPITAL**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Human capital	Human resources reports produced (n)	Human resources reports	Produce (4) Human resources reports by end of the financial year.	(4) Human resources reports were produced.	None	None

**MARKETING AND COMMUNICATIONS**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Marketing and communication support	Marketing and communication reports produced (n)	Corporate communication service reports	Produce (4) Marketing and communication reports by end of the financial year	(4) Marketing and communication reports were produced.	None	None

**PROGRAMME 2: MARKET ACCESS TO ALL PARTICIPANTS ALL PARTICIPANTS**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Smallholder market access research	Smallholder market access research reports produced (n)	Smallholder market access research reports	Produce (1) Smallholder market access research report by the end of the financial year.	(1) Smallholder market access research report was produced.	None	None
Smallholder market access research	Agri-preneur reports produced (n)	Agri-preneur reports	Produce (4) Agri-preneur reports by end of the financial year.	(4) Agri-preneur reports were produced.	None	None
Smallholder market access research	Monitoring & evaluation reports produced (n)	Monitoring & evaluation reports	Produce (1) Monitoring & evaluation report by end of the financial year.	(1) Monitoring & evaluation report was produced.	None	None
Smallholder market access research	Smallholder market access journal articles produced (n)	Smallholder market access academic journal articles	Produce (2) Smallholder market access journal articles by end of the financial year.	(2) Smallholder market access journal articles were produced.	None	None
Financing of transformation	Percentage of statutory levies allocated to transformation activities	-	Percentage of statutory levies allocated to transformation activities	20 % of statutory levies was allocated to transformation activities.	None	None
Development scheme programme design	Agricultural development schemes designed (n)	-	Produce (1) Agricultural development scheme designed report by the end of the financial year	(1) Agricultural development scheme designed report was produced.	None	None
Market access facilitation	Development farmers' database updates reports produced (n)	-	Produce (4) Development farmers' database updates reports by end of the financial year	(4) Development farmers' database updates reports were produced.	None	None

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Market access facilitation	Market access facilitation programmes report produced (n)	-	Produce (1) Market access facilitation programmes report by the end of the financial year	(1) Market access facilitation programmes report was produced.	None	None
Industry transformation support	Industry transformation support reports produced (n)	Industry transformation support reports	Produce (4) Industry transformation support reports by end of the financial year	(4) Industry transformation support reports were produced.	None	None

### PROGRAMME 3: EFFICIENCY OF THE MARKETING OF AGRICULTURAL PRODUCTS

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Agro-food chain research	Food price monitor reports produced (n)	Food price Monitor reports.	Produce (4) Food price monitor reports by end of the financial year.	(4) Food price monitor reports were produced.	None	None
Agro-food chain research	Food cost review report produced (n)	Food cost review report.	Produce (1) Food cost review report by end of the financial year.	(1) Food cost review report was produced.	None	None
Agro-food chain research	Input cost monitoring reports produced (n)	Input cost monitoring reports.	Produce (4) Input cost monitoring reports by end of the financial year.	(5) Input cost monitoring reports were produced	1 additional report was produced.	The NAMC had a contract with Vinpro on the production of cost survey for wine grape production. The Vinpro report was published as the 5th Input Cost Monitor.

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Agro-food chain research	Supply and demand estimates reports produced (n)	Supply and demand estimates reports	Produce (12) Supply and demand estimates reports by end of the financial year.	(12) Supply and demand estimates reports were produced	None	None
Agro-food chain research	Agro-food chain research reports produced (n)	Agro-food chain research reports	Produce (1) Agro-food chain research report by end of the financial year.	(1) Agro-food chain research report was produced.	None	None
Agro-food chain research	Farm-to-retail price spreads (FTRPS) reports produced (n)	Farm-to-retail price spreads (FTRPS) reports	Produce (4) Farm-to-retail price spreads (FTRPS) reports.	(4) Farm-to-retail price spreads (FTRPS) reports were produced.	None	None
Agro-food chain research	Agro-food chain journal articles produced (n)	Agro-food chain academic journal articles	Produce (2) Agro-food chain journal articles by the end of the financial year.	(2) Agro-food chain journal articles were produced.	None	None
Agro-food chain research	Food basket price monthly reports produced (n)	-	Produce (12) Food basket price monthly reports by end of the financial year.	(12) Food basket price monthly reports were produced.	None	None
Financing of information and research	Percentage of statutory measures investigations received and responded to	-	(30) Statutory measures investigations received and responded to	(37) Statutory measures investigations were received and responded to.	(7) additional statutory measures investigations received and responded to.	(37) statutory measures investigations were received during the financial year. The NAMC has no control over when commodities/ industries can apply and must respond to each application received.



Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Agricultural capacity development facilitation	Agricultural capacity development facilitation report produced (n)	-	Produce (2) Agricultural capacity development facilitation reports by the end of the financial year	(2) Agricultural capacity development facilitation reports were produced.	None	None
Agricultural capacity Development facilitation	Training evaluation reports produced (n)	-	Produce (2) Training evaluation reports by the end of the financial year	(2) Training evaluation reports were produced	None	None

**PROGRAMME 4: EXPORT EARNINGS FROM AGRICULTURAL PRODUCTS**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Trade research	Trade Probe reports produced (n)	Trade Probe reports	Produce (4) Trade Probes reports	(4) Trade Probes reports were Produced.	None	None
by the end of the financial year.	(4) Trade Probes reports were produced.	None	None	Produce (4) Fruit Flow Reports were produced.	None	None
Trade research	Fruit Flow reports produced (n)	Fruit Flow reports.	Produce (4) Fruit Flow reports by end of the financial year.	(4) Fruit Flow reports were produced.	None	None
Trade research	FANRPAN annual report produced (n)	FANRPAN report	Produce (1) FANRPAN annual report by end of the financial year.	(1) FANRPAN annual report was produced.	None	None
Trade research	ITAC report produced (n)	ITAC report	Produce (1) ITAC report by end of the financial year.	(1) ITAC report was produced.	None	None
Trade research	Trade research reports produced (n)	Trade research reports	Produce (1) Trade research report by end of the financial year.	(1) Trade research report was produced	None	None

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Trade research	Trade academic journal articles produced (n)	Trade journal articles	Produce (2) Trade journal articles by the end of the financial year.	(2) Trade journal articles were produced.	None	None
Trade research	Export promotion impact research report	-	Produce (1) Export promotion impact research report by end of the financial year.	(1) Export promotion impact research report was produced.	None	None
Financing of export promotions and quality control	Financing of export promotions and quality control monitored report	-	Produce (1) Financing of export promotions and quality control monitored report	(1) Financing of export promotions and quality control monitored report was produced	None	None
Business linkages facilitation (technical support plans)	Technical assistance plans developed (n)	-	Develop (2) Technical assistance plans by the end of the financial year	(2) Technical assistance plans were developed.	None	None

**PROGRAMME 5: VIABILITY OF THE AGRICULTURAL SECTOR**

Strategic Objectives (KPA)	Performance Indicator	Audited Performance 2017/2018	Planned Annual Targets 2018/2019	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comments on Deviations
Strategically integrated project co-ordination	SIP11 project monitoring reports produced (n)	SIP 11 project monitoring reports	Produce (4) SIP11 project monitoring reports by end of the financial year.	(4) SIP11 project monitoring reports were produced	None	None
Secretarial support for the Supply and Demand Estimates Committee, Supply and Demand Estimates Liaison Committee and Crop Estimates Liaison Committee	Committee secretarial support report produced (n)	Committee secretarial support report	Produce (1) Committee secretarial support report by the end of the financial year	(1) Committee secretarial support report was produced.	None	None
Register of directly affected groups	Register of directly affected groups administration report produced (n)	Register of directly affected groups administration report	Produce (1) Register of directly affected groups administration report by the end of the financial year.	(1) Register of directly affected groups administration report was produced.	None	None
Agricultural industry trust support	Agricultural industry trust reports produced (n)	Agricultural industry trust reports	Produce (4) Agricultural industry trust reports by end of the financial year.	(4) Agricultural industry trust reports were produced.	None	None
Agricultural industry trust support	Status report of agricultural trusts produced (n)	Status report of agricultural trusts	Produce (1) Status report of agricultural trusts by end of the financial year.	(1) Status report of agricultural trusts was produced.	None	None
Status of statutory measures	Status of statutory measures report produced	(1) Status of statutory measures report produced	Produce (1) Status of statutory measures report	(1) Status of statutory measures report was produced.	None	None

## 2.4. Narratives: Information

### PROGRAMME 1: SERVICE EXCELLENCE

#### Sub-programme 1: Office of the Chief Executive Officer

##### Risk Management

Risk management is the process of identifying and understanding the factors and events that may impact the achievement of strategic and operational objectives, as well as the managing, monitoring and reporting of risks and opportunities.

The Risk and Compliance Unit was established based on the prescripts of the Public Finance Management Act, the Treasury Regulations and the Public Sector Risk Management Framework issued by the National Treasury.

The realisation of the Risk Management Strategy was executed through a risk management implementation plan approved by Council.

The risk management implementation is meant to guide and assist in implementing the activities that will serve the organisation.

The Risk Implementation Plan empowered the Risk and Compliance Unit to perform the following::

- Facilitation of the risk identification,
- Risk mitigations
- Risk monitoring and reporting at operational, project and strategic level
- Implementation of the approved fraud prevention policy
- Implementation of the approved continuity management
- Implementation of the compliance and ethics programme
- Implementation of the combined assurance framework

##### Strategic Risk

During the period under review, the entity identified strategic risks that were in accordance with the Strategic Plan for the period 2015 – 2019/20 and the Annual Performance Plan for the period 2019/20. From the strategic risks identified and assessed, specific risk mitigations were agreed upon, monitored, and reported to oversight structures.

To date, the Strategic Risk Register for the financial year 2019/20 has 24 control improvement plans, with 16 of those agreed-upon action plans having been implemented and eight control improvements plans

not having been implemented by relevant risk owners. The Risk Unit continues to work with risk owners to ensure that outstanding control improvements are implemented.

##### Fraud and Corruption

The NAMC has an approved Fraud Prevention Policy, which is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the entity. The NAMC has zero tolerance towards fraud and corruption. In addition, the entity has a declaration of interest policy which ensures that the values of the entity are maintained and upheld.

To date, the Fraud Risk Register for the financial year 2019/20 has 16 control improvement plans, with 10 of those agreed-upon action plans having been implemented and six control improvement plans not having been implemented by relevant risk owners. The Risk Unit continues to work with risk owners to ensure that outstanding control improvements are implemented.

##### Reporting line of unethical behaviour and fraud and corruption

Whistleblowing is an important early warning system used to protect the stakeholders when reporting an offence to the NAMC.

The entity has an approved whistleblowing policy that assists the NAMC to break the cycle of silence and inaction and prevent fraud and corruption in the entity.

The entity has a whistleblowing hotline facility that is independently managed, and which is freely available to all staff, contractors and all other stakeholders to report in confidence matters on unethical behaviour and fraud and corruption.

The matters reported on the whistleblowing hotline facility are reported to the relevant oversight structures for investigation. The whistleblowing facility is guided by the provisions of the Public Finance Management Act and the Protected Disclosure Act.

##### Minimising Conflict of Interest

In managing the risk of conflict of interest, it is a requirement that all officials in the supply chain management unit and all internal staff participating in the tender/procurement committees for bid specification, bid evaluation or bid adjudication complete declaration of interest forms and the code of conduct. In instances where an affected party is conflicted, it is a requirement that recusal be made and that the matter of conflict be declared and registered.

### **Implementation of the compliance and ethics programme**

To enable Council to govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the entity being ethical and a good corporate citizen, the unit developed a regulatory universe which identifies and lists a total of 52 applicable legislations that the NAMC as an organisation should adhere to in managing its business operations – these have been developed but not yet approved.

In line with best practice and consultation with various certified ethics practitioners, it is prudent that the status of ethics maturity be determined in order to develop the ethics strategy. It would be premature to develop an ethics strategy without identifying and determining the ethics risks.

An integrity and ethics management policy has been delivered and considered by oversight structures but has yet to be considered by Council.

### **Implementation of the approved continuity management**

At the core of business continuity management is the Business Continuity Plan, which stipulates the actions that need to be taken at the time of a disruptive incident and the officials involved. In the main, the Business Continuity Plan ensures that the critical business processes are recovered within a reasonable amount of time.

The NAMC activated a partial Business Continuity Management (BCM) Plan from 16 March 2020 by taking a strong view on social distancing by all staff members and all stakeholders, as recommended by the President and the Department of Health.

During the period prior to complete lockdown, there were no more than two to three staff members per business division on a daily rotational basis at the office, to ensure that the NAMC could continuously respond to the needs of all stakeholders. Almost all NAMC staff started working remotely after the announcement of the complete lockdown by the President.

Also, all meetings with our Management, staff and stakeholders are done virtually on Microsoft Teams. In partnership with the human resources unit, the unit developed a safety response plan to ensure compliance with the directive of the Department of Labour prior to return of employees to the premises.

### **Implementation of the combined assurance framework**

The Risk Management Committee adopted the combined assurance approach in compliance with King IV (Principle 15) to ensure the provision of adequate, timely and effective assurance to the Audit and Risk Committee and Council, which enables members to discharge their duties in respect of all the activities and requirements of risk management.

During the period under review, the combined assurance plan approved by Council was based on the Strategic Risk Register for the financial year 2019/20.

### **Corporate Governance Support**

The NAMC is established in terms of the Marketing of Agricultural Products Act No. 47 of 1996, as the primary legislation supported by the Public Finance Management Act and King Code of Corporate Governance.

### **Minister of Agriculture, Rural Development and Land Reform**

In terms of PFMA Section 62, the Minister of Agriculture, Land Reform and Rural Development is the executive authority responsible for a public entity under the ownership control of the national or provincial executive and must exercise the executive ownership control powers to ensure that the public entity complies with the Act and financial policies.

### **Accounting Authority**

In terms of section 50, of the PFMA, the Council serves as the Accounting Authority of the NAMC and its fiduciary duty is to ensure the protection of the entities assets and records. The Council must at all times act with fidelity, honesty, integrity and have the best interest of the public entity in managing the financial affairs of the public entity.

### **Role of the Accounting Authority**

The Council has a responsibility to perform the following:

- Steer and set direction
- Approve policy and planning
- Oversee and monitor the implementation of the policy
- Ensure accountability

The Council and its committees conduct their affairs in approved charters, which indicate Council's role and responsibilities, as well as those of its committees.

## Sub-programme 2: Audit and Finance

### Finance and Administration

The purpose of this division is to provide strategic leadership and direction on matters of financial performance and to monitor compliance with the PFMA and the Treasury regulations.

### Strategic reviews and compliance with strategic objectives

Monthly and quarterly reviews of programme expenditure against the budget were conducted, and the processes contributed to the regular strategic reviews to ensure adherence to the strategic plan.

### Supply Chain Management

The division renders supply chain management services to the NAMC and is responsible for the following: Demand and acquisition, logistics management, disposal management, and regular assessment of supply chain performance.

Compliance with legislation and regulations in terms of reporting has been achieved. The supplier database has been updated with the new tax clearance certificate and BEE certificates. An advertisement for suppliers to register on our database has been placed and the supplier database was updated.

For the period under review, the NAMC acquired goods and services through a competitive bidding process as follows:

- Internal audit services;
- Travel management services; and
- ICT services.

### Asset Management

The NAMC conducted asset verifications, which resulted in the disposal of obsolete computer equipment with a book value of R27 000.00.

For the period under review, the NAMC reviewed the useful life of assets after assessing the condition and type of assets and their remaining useful life.

### Information Technology

The Information Technology (IT) functions are outsourced to Vukani Technologies, which provides professional services with regard to IT on a daily basis.

For the period under review, the IT Steering Committee continued to function and sought to ensure that the IT strategy and policies were implemented within the

NAMC, while the IT Steering Committee also looked at addressing audit findings as raised by both internal and external auditors to ensure that all queries were resolved within a specified timeframe.

### Risk assessment and management

Finance and Administration recognises the importance of risk management in ensuring that its objectives are achieved, and the Finance and Administration risk register and controls to mitigate the risks were reviewed and updated.

### Functioning Audit and Risk Committee

The NAMC's Audit and Risk Committee continues to function and met Nine (9) times during the period under review.

### Internal audit function

The internal audit function of the NAMC is outsourced to Nexia SAB & T, and during the period under review, the internal auditors conducted various reviews and assessments of the NAMC's control environment, the results of which were reported to the Audit and Risk Committee. No significant deviations from the internal audit were reported during the assessments.

### Cost Containment Reporting: Conferences and Events Hosted by the NAMC

The purpose of the report is to report on Instruction Note 2 and 3 of 2019/20, introduced by the National Treasury Department, and also in conjunction of the Annual Cost Containment Plan, clause 6, reporting of cost containment measures, in the Annual Report.

### Agribusiness Development Division

#### SAAHE congress NAMC The Agricultural Economics Association of South Africa (AEASA)

- Hosted by the MERC Division.
- Workshop held from 08 – 10 October 2019.
- Training was conducted in Bloemfontein.
- 4 Attendees.
- The quotations were sourced according to the supply chain management procedures and submitted to the Management Committee for approval.
- Total cost incurred = R16 000 all-inclusive.



### Training of students on Crop Production Travel

- Hosted by the Agribusiness Division.
- Workshop held on 13 May 2019.
- Training was conducted in Hamphaila.
- 20 attendees.
- Purpose was to promote skills development and address the various challenges faced by today's youth within the agriculture sector.
- Three quotations were sourced from the facilitator and thereafter submitted to the Management Committee for approval.
- Total cost incurred = R49 680 all-inclusive.

### PMA Fresh Connections Conference

- Hosted by the Agribusiness Division.
- Workshop held from 30 – 31 July 2019.
- Training was conducted in Cape Town.
- 3 attendees.
- Purpose of the conference was to include all role players in the market and for the forum to encourage networking and collaboration.
- The quotations were sourced according to the supply chain management procedures and submitted to the Management Committee for approval.
- Total cost incurred = R9 000 all-inclusive.

### Market Matters

- Hosted by the Agribusiness Division.
- Workshop held from 19 – 24 November 2019.
- Training was conducted in Nzhelele Valley.
- 110 attendees.
- Purpose of the programme was to increase the capacity of African agri-business to meet the ever-growing demands of today's global food system.
- Three quotations were sourced according to the supply chain management procedures and submitted to the Management Committee for approval.
- Total cost incurred = R48 990.85, all-inclusive of hiring venue, conference package material, meals and airport transfers.

### Markets and Economic Research Centre Division

#### SAAHE Congress NAMC AEASA

- Hosted by the Merc Division.
- Workshop held from 08 – 10 October 2019.
- Training was conducted in Bloemfontein.
- 14 attendees.
- The quotations were sourced according to the Supply chain management procedures and submitted to the Management Committee for Approval.
- Total cost incurred; R52 000 all-inclusive.

### Agricultural Trusts Division

#### SAAHE congress NAMC AEASA

- Hosted by the Merc Division.
- Workshop held from 08 – 10 October 2019.
- Training was conducted in Bloemfontein.
- 4 attendees.
- The quotations were sourced according to the supply chain management procedures and submitted to the Management Committee for approval.
- Total cost incurred = R16 000 all-inclusive.

### Sub-programme 3: Human Resources Management

#### Highlight

On 12 March 2020, the World Health Organisation (WHO) declared the Coronavirus Disease 2019 (COVID-19) a worldwide pandemic. The first official case was reported in South Africa on 5 March 2020, and by 15 March 2020, the country had 61 reported cases. In response to the outbreak, the president of South Africa, Honourable Cyril Ramaphosa, declared a national lockdown lasting until 16 April 2020 in terms of the Disaster Management Act, which introduced several restrictions to curb the spread of the disease. Moreover, the Department of Labour issued a formal procedure to assist organisations in monitoring and preventing the transmission of COVID-19 in the workplace.

In light of the above, the NAMC committed itself to ensuring the health and safety of employees and addressing challenges that have emerged as a result of COVID-19. This brought about the development of the COVID-19 Standard Operating Plan to provide a guideline for the effective implementation and management of COVID-19 prevention measures within the NAMC. Moreover, the plan ensures the following:

- The NAMC provides and maintains, as reasonably practicable, a working environment that is safe and without risk to the health of employees;
- Develops measures to ensure that the workplace meets the standards of health protocols, adequate space for employees and physical distancing measures, as required; and
- That appropriate steps are taken to eliminate or mitigate the transmission of COVID-19 in respect of the employees and any other person directly affected by the NAMC.

The plan gave effect to sound people practices and ensured that the organisation complied with the operating guidelines to prevent the transmission of COVID-19 in the workplace and maintained a safe and healthy working environment promoting employee wellbeing.

## Introduction

The Human Capital Division is pleased to present the report for the period April 2019 to March 2020. The division is committed to creating a high-performance, diverse and inclusive workforce while recognising the skills and capabilities of our employees. It is for this reason that we provide regular learning and development opportunities, which enable employees to improve and maintain their skills and capabilities. This report is in line with the 13 National Human Resource Management System Standards.

## Strategic Human Resources Management

The Human Resources Strategy is a designation for a long-term plan created to achieve objectives in the field of human resources and development within the organisation. Human resources policies provide a written guideline for handling employment issues and reducing the risk of corporate liability or employee lawsuits.

The Human Capital Division has undertaken a review of its policies and procedures to ensure that they are in line with the relevant legislation and the best people practices. The following policies were approved during the reporting period:

- Disciplinary Code and Incapacity Code Policy & Procedure;
- Recruitment and Selection Policy and Procedure;
- Leave and Incapacity Policy and Procedure;
- Grievance Policy and Procedure;
- Sexual Harassment Policy and Procedure;
- HIV and AIDS Policy;
- Basic Conditions of Employment Policy; and
- Performance Management and Development Policy and Procedure.

Furthermore, the following policies have been reviewed and submitted to Council for approval:

- Bursary Policy;
- Occupational Health and Safety Policy and Procedure; and
- Employee Wellness Policy.

Our strategic human resources management processes link the HR functions with the strategic objectives of the NAMC, in order to improve the organisations performance and develop a culture that fosters innovation, flexibility and employee development.

## Talent Management

The main focus of our talent management initiatives is to maintain a consistent supply of critical talent with the requisite skills to meet the strategic objectives of the NAMC. We have identified a need to implement knowledge and skills transfer from the retiring baby boomers to the next generation, to address the skills shortage as a result of an increasingly diverse and cross-generational workforce.

The human capital places great emphasis on attracting and retaining highly skilled employees and providing developmental and career growth opportunities to employees. In light of this, the following employees were promoted during the reporting period:

- The Receptionist was promoted to the Legal Administrative Assistant;
- The Personal Assistant to the Chief Executive Officer was promoted to an Executive Assistant; and
- One Cleaner was promoted to the Receptionist position.

## Career Guidance

The career guidance programme promotes career offerings, skills development and bursary opportunities to learners and students studying towards a qualification in agriculture. The NAMC continues to facilitate career guidance workshops to build awareness of career opportunities in the agricultural sector. The NAMC facilitated a career guidance programme for Waterberg TVET College, as well as career guidance for students at the University of Limpopo.

## Human Resources Risk Management

High-level human resources risks were identified. The HR risks are monitored and reported on a quarterly basis. With the recent COVID-19 outbreak, we have identified new risks that may pose a threat to employees if they are not addressed properly. In addition, risk assessment practices and procedures relating to people factors are embedded within the NAMC risk register. Table 1 below represents the HR risk register.



**Table 1: HR Risk Register**

No	Risk Category	Risk Description
1	COVID-19 identified risks	<ul style="list-style-type: none"> <li>• Providing a safe working environment for employees.</li> <li>• Ensuring the health and safety of employees.</li> <li>• Meeting the requirements of the legislation when addressing COVID-19 issues.</li> <li>• Managing and meeting the strategic objectives of the organisation.</li> <li>• Managing sick leave and employees working from home.</li> </ul>
2.	Strategic Human Resources Management	<ul style="list-style-type: none"> <li>• Review of the Human Resources Strategy and Organisational Structure to align these with the reviewed organisational strategy.</li> </ul>
3.	Talent Management	<ul style="list-style-type: none"> <li>• Lack of core skills and competencies within the NAMC.</li> <li>• Lack of learning and development policies and plans.</li> <li>• Lack of reward and recognition in alignment with the remuneration strategy.</li> </ul>
4.	Employee Wellness	<ul style="list-style-type: none"> <li>• Lack of budget for wellness programmes.</li> <li>• Low participation in wellness programmes.</li> </ul>
5	Performance Management	<ul style="list-style-type: none"> <li>• Lack of understanding of the performance management process.</li> </ul>
6	Employment Relations Management	<ul style="list-style-type: none"> <li>• Failure to comply with policies and procedures governing human resources.</li> </ul>

### Workforce Planning

The role of workforce planning is significant in ensuring that the organisation has the required number of people with the requisite skills, knowledge and attitudes to achieve strategic objectives. Through this process, the HR Division assesses its workforce profile against current and future organisational needs to ensure that:

- The NAMC has the right number of competent people, at the right place, at the right time, doing the right work;
- Critical and scarce skills are allocated sufficient funding; and
- The organisational structure is aligned with the NAMC’s mandate.

**Table 2: Represents the appointments facilitated during the reporting period**

NAMC Appointments	Type of appointment
1x Cleaner	Contract
5x Animal Health Officers	Contract
1x Agricultural Economist	Permanent
4x Graduate Placements	Contract

Table 3 represents the termination for this period.

**Table 3: Termination**

Number of employees	Reason for termination	Race	Gender
1x Animal Health Officer	Resignation	African	Male
1x Economist	Resignation	African	Female
1x Legal Manager/ Company Secretary	Resignation	African	Female
1x Project Officer	End of Contract	African	Male
1x Programme Manager	Retrenchment	African	Male
1x National Administrative Officer	Retrenchment	African	Female
3x Provincial Co-ordinators	Retrenchment	African	Male
1x Provincial Co-ordinator	Retrenchment	African	Female
2x Provincial Administrators	Retrenchment	African	Female
1x Regional Co-ordinator	Retrenchment	Coloured	Female
14x Animal Health Officers	Retrenchment	African	Male
7x Animal Health Officers	Retrenchment	African	Female
11x Administrative Officers	Retrenchment	African	Female
4x Administrative Officers	Retrenchment	African	Male
74x Herdsmen	Retrenchment	African	Male
17x Herdsmen	Retrenchment	African	Female
1x Chief Executive Officer	Termination	African	Male

### Learning and Development

HR seeks to build the capabilities of our employees and accelerate their professional, academic and skills development. We provide a number of initiatives aimed at fostering management and leadership skills aimed at equipping employees with the necessary capabilities to lead the organisation through change, team development, performance management and ensuring business success in line with the NAMC’s strategic objectives. The twenty-two (22) employees were taken for the following training initiatives during the reporting period:

- Academic writing;
- Business etiquette;
- Financial wellness;
- Government supply chain management challenges and latest trends.
- Executive coaching sessions for the Chief Executive Officer;
- Outcome-based monitoring and evaluation implementation;
- Labour relations training; and
- A course in drafting, negotiating and managing commercial contracts.

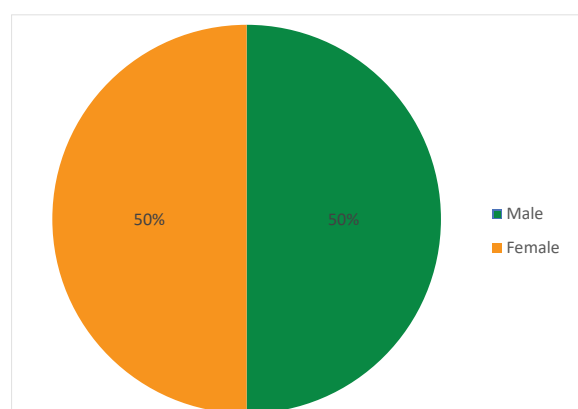
Furthermore, the NAMC was awarded an R100 000.00 voucher for bursaries from Regenesys.

### Bursary

Bursaries and training initiatives are funded through Agri-SETA’s discretionary grants, of which the NAMC received the following for bursaries:

- R1 009 650.00 for continuation; and
- R976 950.00 for new applicants.

Twenty-two (22) employees and ten (10) external students were awarded bursaries. Chart 1 illustrates the gender distribution of bursary holders.



**Figure 1: Gender Equity**

The bursary expenditure for the 2019/20 financial year amounted to R 711 339,11, while the training expenditure amounted to R 128 795,93.

## Graduate Placement

The graduate placement programme to equip graduates with relevant skills and practical working experience. Graduates are appointed for 12 months and placed within the various industries. We received an amount of R 190 800.00 and the following graduates were appointed:

**Table 4: Graduate Placement Appointments**

No.	Name	Gender	Position	Placement
1.	Mulalo Nelitshindwe	Female	Supply Chain Management	Finance & Administration
2.	Zosuliwe Kala	Female	Agricultural Economist	MERC: Trade
3.	Thabile Nkunjana	Male	Agricultural Economist	MERC: Agro-Food Chain
4.	Pamela Matyolo	Female	Agricultural Economist	MERC: Smallholder Market Access

## Performance Management

The purpose of Performance Management is to increase performance by encouraging individual commitment, accountability and motivation.

All employees are required to complete a performance agreement at the beginning of each financial year. The agreement is, in essence, a contract between the employer and the employee containing expectations and standards for the required delivery. HR facilitated the performance evaluations for all four (4) quarters. Managers were required to attest that they had thoroughly reviewed the employee's performance and considered various portfolios of evidence.

## Reward and Recognition

Compensation plays an integral role in the successful delivery of NAMC's strategic objectives. HR developed and implemented a reward strategy aligned with the NAMC's strategy and relevant legislation. In line with current national and international industry and sector norms, the following salary increases were approved for the 2019/2020 financial year:

- 6 % salary increase for employees;
- 2.08 % salary increase for employees earning between R1 million and R1.49 million; and
- 0 % increase for employees earning R1.49 million and above.

## Long Services Awards

A remuneration strategy was developed to attract high-calibre talent, to reward employees, and to motivate them to achieve the organisation's goals and objectives. One (1) employee qualified for 10 years' long service and was awarded a certificate and bonus.

## Risk Benefits

In line with the Basic Conditions of Employment and the Labour Relations Act, the following benefits are provided;

- Group risk-benefit scheme;
- Group life scheme for death cover;
- Group income continuation scheme for disability cover; and
- Funeral cover and the provident fund.

## Employee Wellness

The Human Capital Division recognises the need for wellness in the workplace to create an environment that promotes healthy behaviours and improved work/life balance of the employees. This enables employees to perform optimally while meeting the health and safety standards in support of achieving the strategic objectives of the organisation. Health and safety issues are managed by the Health and Safety Representatives Committee and all incidents and accidents pertaining to NAMC employees and visitors are recorded and reviewed. No injuries on duty were reported during this period under review. HR facilitated a Fun Day on 13 September 2019 at Rietondale Park, Pretoria. The initiative was aimed at promoting wellness while making staff more aware of fitness and team building.

## Year-end Function

HR facilitated the year-end function on 28 November 2019 at Eastwoods, Pretoria.

### **Women's and Men's Diversity Forum**

The Women's and Men's Diversity Forum was established to recognise and empower employees in the workplace. This forum aims to inspire men and women to face new opportunities and challenges, through building a culture of diversity and inclusivity. Employees are encouraged to create dialogue, debate and forward thinking in addressing issues affecting them both in the workplace and at their homes. The forum undertook the following activities during the reporting period:

- The Men's Diversity Forum undertook an annual trip to Brits in June 2019;
- The Women's Diversity Forum undertook an annual trip to Tolderia, Ermelo in September 2019; and
- The Women's Diversity Forum held a Valentine's Day celebration on 14 February 2020, while the Men's Diversity Forum held soccer matches as part of wellness.

### **Employee Assistance Programme**

Eight (8) employees were taken for counselling during the reporting period.

### **Employment Relations Management**

We ensure that all our employee relations processes are constantly reviewed to ensure that they follow the best practices and meet all legal obligations. We ensure that there is consistent communication with employees with regard to our policies and procedures.

### **Labour Matters**

- The Human Capital Division attended a case at the CCMA with four (4) NRMDP employees from Mokgalaneng in North West.
- One hundred and thirty-six (136) NRMDP employees were paid seven months' salaries and given certificates of service as part of the termination/retrenchment package.

### **Grievances**

Two (2) grievances lodged during the reporting period.

### **Disciplinary Hearing**

Two (2) disciplinary cases were held during the reporting period.

### **Staff Representative Committee**

The Staff Representative Committee held one meeting during the reporting period.

### **Human Resources Service Delivery**

#### ***Policy Awareness Sessions***

Human Capital conducted policy awareness workshops for employees on the reviewed policies and procedures.

#### ***Induction***

HR facilitated the induction on policies and procedures for new employees.

#### ***Exit Interview***

**One exit interview was conducted.**

### **Human Resources Technology**

In order to extract HR information in real time and deliver effective HR information, the following technological systems were introduced: Job description; Skills audits / Assessment tools; Job analysis and design; Quick skills system; Reward and recognition; Job evaluation systems; VIP Payroll systems; Records management; and Employee Self Service (ESS).

### **Human Resources Measurement**

HR partnered with the SABPP to align and benchmark human resources processes. A scorecard to measure HR service delivery and how it impacts the NAMC was developed. The scorecard has assisted in identifying gaps in the human resources standards, and appropriate solutions and improvement plans have been developed.

### **Conclusion**

Human Resources will continue providing valued services and programmes to help employees succeed at every stage of employment. In 2020/21, we are looking forward to enhancing the hiring process to attract a more diverse pool of top talented candidates. The implementation of an applicant tracking system has resulted in a reduction in hiring time and the development of a candidate pool whose skills more closely match specific job requirements. Human Resources has also developed an induction programme to welcome new employees, to integrate them into the workplace, and to increase their level of engagement.

In 2020/21, HR will provide leadership development and team-building programmes. In addition, the employee training curriculum has been expanded to include executive coaching. HR will also continue to offer wellness interventions aimed at providing healthcare information through a newly designed wellness programme that will help employees make informed decisions.

A cross-representative Employee Wellness Committee will aid Human Resources in the development and marketing of wellness and wellbeing programming. Improving employee engagement and two-way communication remains an overarching top priority of HR. HR will continue to hold employee focus groups and conduct employee surveys to make sure we are listening and responding appropriately and efficiently. HR will also continue holding conversations with employees about setting expectations, establishing realistic goals that support the NAMC's Strategic Plan, and the importance of professional development.

## **PROGRAMME 2: MARKET ACCESS TO ALL PARTICIPANTS**

### **Smallholder Market Access Research**

The Markets and Economic Research Centre (MERC) conducts research on smallholder market access in order to inform stakeholders on progress, challenges and opportunities for the opening up of lucrative markets for smallholder farmers in South Africa. One of the highlights for the 2019/20 financial year was the completion of a second baseline of the Smallholder Market Access Tracker (SMAT), which focused on broiler production.

#### ***SMAT Baseline Report on Broilers: March 2020:***

A baseline on market access for smallholder broiler farmers in South Africa has been completed. The study, which was conducted on a sample of 66 farmers in eight provinces (excluding North West) shows that abattoirs are the most prominent marketing channel for smallholder broiler producers, followed by the local informal market. A typical smallholder broiler farmer was found to be a female aged above the youth category, but having completed her matric or even tertiary education, which would make it easier for her to collect and process information to make informed decisions. Although she has access to land, ownership is still a challenge, which limits her ability to secure a loan from formal financial institutions

### **Financing of Transformation Activities through Statutory Levies**

Statutory levies guidelines were approved in 2000, with the provision that approximately 10 % of levy income should be spent on transformation activities. In August 2005, this guideline was changed to approximately 20 %, and in 2010 it was changed again, with the provision that at least 20 % of levy income should be used for transformation activities. In 2018 the NAMC adopted new transformation guidelines, in line with the Agri-BEE scorecard, to increase the return on investment

of funds being used for transformation. Although the "at least 20 %" provision was not changed, the NAMC adopted specific generic transformation guidelines with the focus on enterprise development.

In terms of the new transformation guidelines, levy administrators should, on an annual basis and three months before the start of a financial year, submit a business plan in respect of transformation activities envisaged for the coming financial year. Six months after the close of a particular financial year, levy administrators should also report on actual transformation activities, by comparing their activities with the budget for that financial year. The NAMC appointed a Transformation Review Committee to manage this process.

The NAMC further endorsed the view of the Department of Agriculture, Land Reform and Rural Development that all its stakeholders should adhere to the Employment Equity Amendment Act, No. 47 of 2013, which strives to achieve equity in the workplace by promoting equal opportunities and fair treatment in employment and ensuring equitable representation in all occupational levels in the workforce. Therefore, the administrators of statutory levies will be requested to submit an employment equity plan, setting out the steps they intend taking to achieve employment equity, with every statutory levy application to the NAMC and the Minister.

According to the 2019 survey regarding the status of statutory measures, approximately 19.0 % (R116.6 million) of total statutory levies collected was spent on transformation projects, compared to R113.4 million reported in the previous survey – an increase of 2.8 %. It should be noted that the levy income of R22.1 million collected specifically for deciduous fruit market development and R23.4 million for the fruit fly control programme are not subjected to the condition of spending 20 % on transformation. If these are excluded, 20.3 % of total levies is spent on transformation. If the transformation funds of approximately R13 million allocated by SACTA but not yet spent is taken into account, the expenditure on transformation could have been 22.6 % of the total levy income.

Table 5 below provides information about the allocation to transformation activities as reported for the 2019 survey.

**TABLE 5: Transformation expenditure as percentage of levy income**

Product	Levy income	Transformation	Transformation as % of levy income	Total expenditure
	<b>91 640 398</b>	<b>17 940 785</b>	<b>19,6 %</b>	<b>87 067 665</b>
Citrus (exported)	4 164 108	546 965	13,1 %	9 758 253
Cotton lint	51 914 430	9 896 098	19,1%	46 632 841
Dairy products	99 017 989	11 499 575		106 251 155
Deciduous fruit	53 451 543	11 375 355	21,3%	64 693 016
Pome and stone	23 450 390	124 220	0,5%	24 464 136
***Fruit Fly Africa	22 116 056	0		17 094 003
***Market Access	8 180 196	1 357 076	16,6%	8 274 403
Dried fruit	652 150	187 623	28,8%	607 556
Fynbos (proteas)	2 426 993	160 774	6,6%	2 242 131
Lucerne	12 100 933	4 929 375	40,7%	13 848 356
Macadamias	1 868 817	383 754	20,5%	1 784 953
Olives	5 463 805	1 219 242	22,3%	5 359 743
Pecan nuts	535 967	21 853	4,1%	299 977
Pomegranates	32 071 988	8 388 558	26,2%	35 735 197
Pork	47 794 381	9 165 173	19,2%	42 653 458
Potatoes	46 101 020	9 299 822	20,2%	45 767 787
Red meat	2 527 087	282 610	11,2%	2 024 725
Table eggs	26 667 695	5 936 751	22,3%	31 719 150
Table grapes	106 066 477	26 664 660	25,1%	97 097 628
Wine	36 345 787	8 160 954	22,5%	34 305 302
Winter cereals (general)	65 661 893	560 000	0,9%	43 382 935
Winter cereals (SACTA)	641 202 114	116 601 648	18,2%	614 813 215
<b>TOTAL</b>	<b>641 202 114</b>	<b>116 601 648</b>	<b>18,2%</b>	<b>614 813 215</b>
<b>TOTAL EXCLUDING ***</b>	<b>595 635 668</b>			

\*SACTA-reserved funds for transformation to the amount of approximately R13 million that will be spent in the next financial year, as their initial transformation business plans were not approved by the NAMC TRC.

In total, 18.2 % of levy income was spent on transformation. If the transformation funds of approximately R13 million allocated by SACTA but not yet spent are taken into account, the expenditure on transformation could have been 20.2 % of the total levy income.

The July 2014 Transformation Guidelines were applicable during the reporting period of levy administrators in the 2019 survey. Levy administrators indicated that they had spent the transformation funds pertaining to the pillars of transformation as follows:

**TABLE 6: Performance on pillars of transformation**

	2019 Pillars of transformation			
	Enterprise development	Skills development	Employment equity, Management control, Socio-economic development, Ownership	Total spent on transformation
	(Guideline 50 %)	(Guideline 20 %)	(Guideline 30 %)	
Citrus (exported)	10 700 000	500 000	6 740 785	17 940 785
Cotton lint	117 150	429 815	0	546 965
Dairy products	5 665 559	4 230 539	0	9 896 098
Deciduous fruit	7 796 788	2 116 170	1 586 617	11 499 575
Dried fruit	831 246	335 831	190 000	1 357 077
Fynbos (proteas)	87 882	99 741	0	187 623
Lucerne	59 000	101 774	0	160 774
Macadamias	4 246 755	95 127	587 493	4 929 375
Olives	0	383 754	0	383 754
Pecan nuts	968 866	173 419	76 956	1 219 241
Pomegranates	0	0	21 853	21 853
Pork	4 357 348	470 472	3 560 738	8 388 558
Potatoes	5 028 401	754 302	3 382 470	9 165 173
Red meat	5 182 566	3 425 156	692 100	9 299 822
Table eggs	282 610	0	0	282 610
Table grapes	3 349 663	846 549	1 740 539	5 936 751
Wine	14 074 012	6 641 544	5 949 104	26 664 660
Winter cereals (General)	5 357 109	2 335 648	468 197	8 160 954
Winter cereals (SACTA)	0	560 000	0	560 000
<b>TOTAL</b>	<b>68 105 955</b>	<b>23 499 841</b>	<b>24 996 852</b>	<b>116 601 648</b>
	<b>58,4 %</b>	<b>20,2 %</b>	<b>21,4 %</b>	<b>100,0 %</b>

Table 6 shows that approximately R68.1 million or 58.4 % of total transformation expenditure was aimed at enterprise development, while approximately R23.5 million or 20.2 % was spent on skills development, and approximately R25.0 million or 21.4 % was spent on employment equity, management control and ownership.



## **Development Scheme Programme Design and Implementation Facilitation**

### ***Agricultural Development Schemes Design***

The NAMC designed and facilitated the implementation of development schemes with both private and public institutions. The schemes are designed and implemented to uplift black producers in the agricultural sector and to encourage their integration into the commercial mainstream.

### ***National Red Meat Development Programme***

The South African livestock production setup represents a major under-tapped source of income for many of the country's poorest households. Even though many of the small-scale and developing farmers own livestock, they are often faced with multiple challenges to market their stock and when they do, they rarely make it beyond the farm gate. Promising opportunities exist through increasing their participation in formal red meat markets, but access to these markets has been constrained by distance, lack of suitable marketing channels, lack of adequate information, and poorly suited animals.

The NRMDP is thus a market facilitation programme that allows the developing farmers to upscale their involvement and role in the marketing of their stock. The farmers are trained on the various markets, grading and classification, pricing, and formal markets such as livestock auctions, custom feeding programmes and feedlots. The NAMC is working in collaboration with Department of Rural Development and Land Reform as a funder, as well as the Provincial Department of Agriculture, development agencies and other relevant stakeholders to yield positive results for the NRMDP.

The programme is operational in the Eastern Cape (12 CFP, 6 under construction); Kwa-Zulu Natal (3 CFP operational and 5 under construction) and North West (2 CFP operational and 1 existing feedlot that is being renovated). During the period under review, more than 3071 heads of cattle passed through the NRMDP CFPs. These animals were sold through formal and informal sales, generating R23 924 466 as an income for 1011 farmers who participated in the programme.

### ***Free State Dry beans development scheme***

In the financial year 2019-2020, the NAMC collaborated with the Free State Provincial Department of Agriculture, Rural Development and Land Reform in the design of the Dry Beans Development Scheme. There are 22000 hectares of land identified from the Thabo Mofutsanyane District Municipality, in Harrismith. A business plan was developed to assist 44 farmers from eight co-operatives. The farmers were linked with the Dry Beans Producers' Organisation as their potential market.

### ***Market Access Facilitation Programme***

The Market Access Facilitation Programme is aimed at preparing farmers to meet the market requirements, while envisioned at linking the buyers and the sellers, who are our developing farmers, to the developed and developing agricultural markets. The process entails advisory to the farmers, as well as engagement with the buyers and sellers of agricultural products, public government departments, the private sector and NGOs. Market information is disseminated through commodity group meetings, structured committees and workshops.

During the period under review, the NAMC engaged Fresh Mark, Food Lover's Market, Spar Group, Pick n Pay, Woolworths, Tshwane Market, Joburg Market, Dusorts Alljoy, VKB and Makhado Rhodes Food Group to source market information and requirements that will enable the farmers to supply these markets. The agricultural products requested by these markets include tomatoes, butternut, watermelon, gem squash, spanspek, Hubbard squash, sweet potato, dry beans, peppadew, potatoes, sweetcorn and tomatoes. The information was shared with 197 farmers producing vegetables in Limpopo and Gauteng in collaboration with the Department of Agriculture, Land Reform and Rural Development: Marketing Directorate, Gauteng Department of Agriculture, Limpopo Department of Agriculture and Rural Development, DTIC, Tshwane Market, Joburg Market, APAC, Fresh Mark, Food Lover's Market, Dusorts Alljoy and HelloChoice. A report detailing the activities of the programme and farmers assisted within the programme was produced.

### ***Industry transformation support***

#### ***Introduction***

The Transformation Review Committee (TRC) is a vehicle that is used to ensure the active and meaningful participation of previously disadvantaged individuals within the industry value chain. The following occurred during the period under review:



### ***Stakeholder engagements (government & industries)***

- The NAMC participates in the work of the AgriBEE provincial sittings and also participates in the AGRIBEE activities such as the workshop on AgriBEE Sector Code amendments, presenting the work of the NAMC relating to industry levies and trust funds.
- Engagement on the wine industry's EU fund on wine industry transformation was co-ordinated, and a draft of the concept document on the operation of the funding instrument was developed.
- Red Meat Industry: The NAMC participated in the emerging farmers' information day and capacity-building programme on artificial insemination course.
- Subtrop Industry: There was participation in the consultation meeting with the NAMC on transformation matters.

### ***Industry Transformation Business plans***

The NAMC TRC focuses on the transformation work done under the Statutory Measures Division (levy expenditure) and the Agricultural Industry Trusts Division in terms of expenditure of trust monies that are given to industry partners. The levy expenditure has a minimum requirement of 20 % to be utilised for transformation activities. The committee has reviewed proposals (levy expenditure) from the following industries:

- Raisins industry (Raisins South Africa);
- Pomegranate industry (POMASA);
- Deciduous Fruit industry (Hortgro);
- Poultry industry (SAPA);
- Pecan nut industry;
- Milk SA (Dairy industry);
- Cape Flora;
- Cape Flora (Re-reviewed);
- South African Cultivar Technology Agency (SACTA); and
- Red Meat Industry Forum (Comprised of RPO, RMAA, NERPO, SAFA, SAMIC & NFMT)

### ***Monitoring and evaluation of the trusts' funded transformation initiatives***

The NAMC was involved in farm visits as part of the monitoring and evaluation of the transformation work. For the reporting period, the transformation initiatives in the Potato Industry Development Trust, Cotton industry (Cotton SA), Raisins industry, Pork industry (SAPPO) and Macadamia industry (SAMAC) were visited. The NAMC is satisfied with the transformation work to date.

## **PROGRAMME 3: EFFICIENCY OF THE MARKETING OF AGRICULTURAL PRODUCTS**

### **Agro-food Chains Research**

The Agro-food Chains Research focus area conducts research on the efficiency of the different value chains within the agro-food sector, including the monitoring of food prices, input costs, margins, and supply and demand of grain commodities. During the 2019/20 financial year, the South African Grain Supply and Demand Estimates Report, which is released monthly, was used to inform policymakers on the availability of major grains during the onset of the COVID-19 crisis.

### **Supply & Demand Estimates Report**

The primary objective of the Supply & Demand Estimates Report is to publish official grain and oilseeds supply and demand estimates on a monthly basis. This occurs through the:

- Collection of trade, production and consumption information by the NAMC.
- Extrapolation of historical data obtained from the South African Grain Information Service (SAGIS) where necessary.
- Processing of Crop Estimates Committee information with regards to crop estimates in supply terms.
- Calculation of an official estimate on grain and oilseeds stock levels, at a specific month, for the rest of the marketing year.

## Financing of information and research

### Conditions of approval relating to statutory levies

Statutory levies are normally approved for a period of up to four years. In addition to this period, the Minister approves statutory levies on the following conditions:

- That approximately 70 % of the levy income is spent on generic functions such as consumer education, export promotions, information, research, etc.;
- That not more than 10 % of levy income is spent on administration costs;
- That a minimum of 20 % of levy income is spent on transformation activities, including the development of emerging farmers and other role players in line with the NAMC's transformation guidelines;
- That the statutory levy income and expenditure are audited by the Auditor General, with the percentage allocated towards transformation clearly indicated;
- That surplus funds do not form part of the assets of the administrator, and that surplus funds be utilised with the approval of the Minister upon the lapsing of the statutory period (for example, after four years);
- That the administrator submits an employment equity plan in order for the NAMC to monitor progress on employment equity within the relevant institution;
- That the administrator maintains a database of black role players and their market share in order to monitor the progress of transformation in the relevant industry; and
- That the NAMC has observer status on the board of the administrator to ensure compliance with the original intent of the application.

### Surplus funds

The MAP Act stipulates that "any levies remaining in the possession of or under the control of any person or body after the period for which such levies were approved, shall be utilised in a manner determined by the Minister". In most cases, statutory levies are approved for a period of four years. Over the past few years, the NAMC has been following the guideline to recommend to the Minister that all surplus funds must be used for transformation activities unless levy administrators can convince the NAMC to recommend otherwise.

Over the past few years, more levy administrators have been highlighting the fact that in cases where administrators of statutory levies request the continuation of levies, and where they operate as a going concern, it may cause financial difficulties if

all surplus funds are solely used for transformation activities, leaving administrators at a deficit and unable to cover operational expenditure, including salaries, accommodation and other commitments during the first few months of a new four-year levy period. During its May 2018 meeting, the NAMC debated this issue and it was concluded that, depending on the merits of each case, a maximum of two months of levy income in a relevant industry may be used to cover operating expenditure (salaries, accommodation and other commitments) of administrators in order for them to operate as a going concern.

### Total statutory levy income

The total funds collected through statutory levies as part of the 2019 survey amounted to approximately R641.2 million, which is 8.8 % higher than the 2018 survey's reported R589.2 million.

**TABLE 7: Total statutory levy income – 2019 survey**

Product	Levy income	Total value of product at the first point of sale	Levy income as a percentage of the value of the product
	R	R	%
Citrus (exported)	91 640 398	19 376 552 000	0,5 %
Cotton lint	4 164 108	371 000 000	1,1 %
Dairy products	51 914 430	11 596 262 000	0,4 %
Deciduous fruit	99 017 989	7 038 336 823	1,4 %
***Pome and stone	53 451 543		
***Fruit Fly Africa	23 450 390		
***Market Access	22 116 056		
Dried fruit	8 180 196	1 394 061 000	0,6 %
Fynbos (proteas)	652 150	116 610 208	0,6 %
Lucerne	2 426 993	937 728 800	0,3 %
Macadamias	12 100 933	3 270 000 000	0,4 %
Olives	1 868 817	66 742 290	2,8 %
Pecan nuts	5 463 805	1 180 000 000	0,5 %
Pomegranates	535 967	97 045 952	0,6 %
Pork	32 071 988	5 981 912 160	0,5 %
Potatoes	47 794 381	10 200 000 000	0,5 %
Red meat	46 101 020	28 130 000 000	0,2 %
Table eggs	2 527 087	7 400 000 000	0,0 %
Table grapes	26 667 695	5 000 000 000	0,5 %
Wine	106 066 477	6 298 000 000	1,7 %
Winter cereals (general)	36 345 787	7 029 110 949	0,5 %
Winter cereals (SACTA)	65 661 893	7 029 110 949	0,9 %
<b>TOTAL</b>	<b>641 202 114</b>	<b>122 512 473 131</b>	<b>0,5 %</b>

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. For the 2019 survey, the total levy income as a percentage of the value of agricultural products at the first point of sale was approximately 0.5 %.

#### Total statutory levy expenditure

The 2019 survey shows that approximately R614.8 million was spent on industry functions – an increase of 4.0 % compared to the 2018 survey. Of the total expenditure, approximately 36.4 % was spent on research, 19.0 % on transformation projects, 12.3 % on export promotion/market access, and 11.4 % on information.

**TABLE 8: Allocation of levy expenditure– 2019 survey**

Functions	2016 survey	2017 survey	2018 survey	2019 survey	2019
	R	R	R	R	%
Administration	26 846 253	30 720 833	35 555 179	36 302 695	5,9
Information	33 507 938	52 100 101	60 641 637	70 021 940	11,4
Research	176 362 303	181 455 248	215 400 274	223 900 766	36,4
Transformation	88 846 024	94 100 152	113 382 930	116 601 648	19,0
Export promotion / market access	81 121 908	63 457 305	72 274 642	75 319 655	12,3
Consumer education / promotion	52 102 231	49 646 329	53 235 633	57 045 906	9,3
Production development	8 146 266	10 385 802	16 450 062	9 633 739	1,6
Plant improvement	5 712 346	5 832 081	3 713 823	3 293 961	0,5
Quality control	16 994 722	17 365 018	20 261 675	22 692 905	3,7
<b>TOTAL</b>	<b>489 639 991</b>	<b>505 062 869</b>	<b>590 915 855</b>	<b>614 813 215</b>	<b>100</b>

### Administration

The NAMC's guidelines on the utilisation of levy funds stipulate that not more than 10 % of levies collected should be used for administrative purposes. The 2019 survey shows that an average of approximately **5.9 % (R36.3 million)** of levies collected was spent on administration costs, which is well below the guideline of 10 %. Audit fees are one of the major components of administration costs.

### Information

Over the past 10 years, the levy expenditure on information has more than doubled. For the 2019 survey, approximately 11.4 % (R70.0 million) of total levy expenditure was allocated to the information function. The cotton, lucerne and macadamia industries spent the most on information and industry liaison. Statutory measures relating to records & returns and registrations play an important role in an effective information function. The information and the analysis thereof make market signals visible for the role players in the industry and government institutions and contribute significantly to the achievement of the relevant objectives of the Act. These measures also facilitate communication in the industry aimed at matters of common interest, such as technical issues, food safety, product standards and other issues regarding the improvement of the viability of the industry. Confidential information on any person subject to a statutory measure, obtained by the administrator through the implementation, administration and enforcement of these statutory measures, is dealt with in accordance with Section 23 (2) of the Act.

### Research

Research is the generic function that receives the largest proportion of total statutory levies. The 2019 survey shows that approximately 36.4 % (or R223.9 million) of total levy expenditure was allocated to the research function. 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. The allocation towards research can increase significantly in the next few years, because recently, SACTA obtained ministerial approval to collect a winter cereals breeding levy, and they budgeted to collect approximately R 65 million per year. The Minister also approved the soybean breeding levy, which in future could add another R 51 million to research spending.

### Consumer education / local promotions

As per the 2019 survey, approximately 9.3 % (R57.0 million) of total levy expenditure was spent on consumer education/promotions, compared to the R53.2 million reported in the previous survey. It is mainly the livestock industries that are strong of the opinion that a major part of statutory levies must be allocated to consumer education / local promotions. The dairy industry allocates 35.7 % of levy funds towards this function, while the pork, red meat and table egg industries respectively allocate 40.7%, 24.8 % and 44.9 % of levy funds towards consumer education and local promotions to market their produce.

## **Plant improvement**

The deciduous fruit industry spent approximately R3.3 million (0.5 % of total levy expenditure) on plant improvement. In the deciduous fruit industry, a number of plant improvement services are being addressed on an industry basis, some of which were previously dealt with by the government – this includes dealing with certain quarantine organisms, the genetic upgrading of cultivars, the phytosanitary upgrading of plant material, horticultural evaluation, the maintenance of nucleus, foundation and mother blocks, as well as the multiplication and certification of superior plant material.

## **Production development**

Although only a small percentage of statutory levy expenditure was allocated to production development, the pecan nut, pork and red meat industries spent R9.6 million (1.6 % of total levy expenditure) on production development.

## **Agricultural Capacity Development Facilitation**

During the 2019/2020 financial year, the NAMC facilitated two different training programmes to capacitate the producers to operate their businesses successfully. Below are the different training courses that were implemented:

### **Crop Production Training**

The NAMC, in collaboration with Buhle Farmers' Academy and the Limpopo Provincial Department of Agriculture (Makhado Municipality), conducted a three-day capacity-building development training programme on crop production. The training programme was implemented from 25 – 27 June 2019 for 20 vegetable farmers at the Mphaila Irrigation Scheme in Limpopo. All attendees received a certificate of attendance.

### **Poultry Production Training**

The NAMC, in collaboration with the Limpopo Provincial Department of Agriculture (Makhado Municipality), Zwavhudi Animal Feeds and Reliance Poultry Equipment, facilitated the implementation of poultry management and production training. The training was held at the Mphaila Irrigation Scheme in Limpopo from 25 – 27 June 2019 and was attended by 20 farmers active in poultry production. The training covered laying and broiler equipment, as well as the chemical handling of disease. All attendees received a certificate of attendance.

## **Good Agricultural Practice and Market Access**

The NAMC, in partnership with the Limpopo Provincial Department of Agriculture (Makhado Municipality), hosted a training workshop on Market Access and Good Agricultural Practice (GAP) from 20 – 22 November 2019 at the Mphaila Irrigation Scheme, Limpopo. The training was attended by 102 farmers active in crop and small stock production. Each participant was allowed to ask questions on the challenges being confronted while producing agricultural products and marketing their products. The facilitators responded to all questions and advised farmers accordingly.

## **Training Evaluation**

During the 2019/2020 financial year, the NAMC evaluated two training programmes. The purpose of the training evaluation was to measure the impact and the relevance of the training. Below are the different training courses that were evaluated:

### **AGRIBIZ 2018**

During the period under review, the NAMC conducted an evaluation of the 2018 AGRIBIZ training for women in agribusiness. AGRIBIZ training is a collaborative initiative between the NAMC and DALRRD. In the financial year 2018/2019, 35 participants from eight provinces received training in financial and marketing management. The outcome of the evaluation revealed that the majority of beneficiaries were positive about the programme and that it had made a meaningful impact on their enterprises. A total of 99 % of the participants recommended that the programme be continued to assist more farmers.

### **Crop production**

The NAMC conducted a training evaluation for farmers who were trained in crop production at the Mphaila Irrigation Scheme in Limpopo. The outcome of the evaluation revealed that the farmers had extensive knowledge in the production of agricultural products; however, they lacked the infrastructure for packaging, storage/cold rooms and storerooms for chemicals and fertilisers. Farmers were still experiencing challenges in terms of formalising the markets through contracts. Some of them were still dependent on the informal market (bakkies) and no legal agreements had been signed.

## **PROGRAMME 4: EXPORT EARNINGS FROM AGRICULTURAL PRODUCTS**

### **Trade Research**

The Trade Research Focus Area undertakes research on trade opportunities for South African products in foreign markets, analysing the impact of various developments on trade in South African agricultural products. Key publications under this focus area include the Trade Probe and the South African Fruit Trade Flow. Of significant importance is the work that the focus area conducts to advise the International Trade Administration Commission (ITAC) regarding trade remedies and tariffs.

### **The Trade Probe**

The Trade Probe publication communicates easy-to-read and factual information on the trade of agricultural products. The following are some of the topics covered in the Trade Probe publication during the 2019/20 financial year:

- Non-tariff measures of critical importance for South Africa's agricultural trade within Africa
- The recent code of restricting marketing of alcoholic beverages: What is the impact on the agricultural sector?
- Potential economic impact of the coronavirus outbreak: South Africa's wool exports
- Where is South Africa's agriculture with regard to the African Growth Opportunity Act?
- Market opportunities for South Africa's maize in Asia

### **Financing of export promotions and quality control**

#### **Export promotion and market access**

The 2019 survey regarding the status of statutory measures indicated that approximately 12.3 % (R75.3 million) of total levy expenditure was allocated to export promotion and market access, compared to the approximately R72.3 million reported in the 2018 survey. The horticultural industries, namely the citrus, deciduous fruit, table grape and wine industries, spent a major portion of their statutory funds on export promotion activities.

### **Quality control**

The function of quality control is mainly undertaken by the cotton, dairy, pork and red meat industries, to ensure that consumers have peace of mind when using these products. An amount of R22.7 million (3.7 % of total levy expenditure) was spent on quality control. In the red meat industry, the Meat Classification function is the responsibility of the DALRRD and is being done in terms of the Agricultural Product Standards Act (Act No. 119 of 1990). Due to various reasons, the South African Meat Industry Company (SAMIC) was appointed as an assignee to perform this function on behalf of the DALRRD. Although the SAMIC is performing this function on behalf of the DALRRD, the red meat industry is paying for this function through a statutory levy.

### **Business Linkages Facilitation (Technical Support Plans)**

During the 2019/2020 financial year, the NAMC supported smallholder farmers with technical assistance plans. The following was achieved through this programme:

#### **KwaZulu Natal Berries project**

The diagnostic analysis study was conducted for 45 beneficiaries operating on communal land in the five districts (Newcastle, Jozini, Mandeni, Howick and uMzimkhulu) in KwaZulu-Natal. The purpose of the study was to diagnose the production status and challenges faced by the berry farmers in order to design the technical support plan for their enterprises. The challenges experienced by these farmers included lack of production inputs, machinery and equipment required for berry production; lack of an SA and global GAP licence limiting them from accessing different markets, especially the export market; lack of irrigation infrastructure; and lack of transport to market and for daily operations. A technical support plan was drawn up, highlighting the roles of stakeholders in assisting these farmers. The aim of this technical support plan is to link these farmers to the international market to supply berries.



### **Free State Grain Farmers project**

The diagnostic analysis study was conducted for five grain farmers on 57 ha of land in Setsoto Local Municipality, Free State. The purpose of the study was to diagnose the production status and challenges faced by the grain farmers in order to design the technical support plan for their enterprises. The study revealed that lack of agricultural inputs such as improved seeds, fertilisers and chemicals have a great impact on farmers, as they cannot utilise the land they have to its full potential. The lack of such inputs is also limiting the growth of the farmers in terms of producing the quantity and quality required by the markets. Another limiting factor is lack of access to mechanisation for maize production. With this challenge, it is always difficult for the farmers to follow proper planting or harvesting instructions for them to achieve the highest yield. A technical support plan was drawn up, highlighting the roles of stakeholders in assisting these farmers. The aim of this technical support plan is to link these farmers to the Ghana export market in order to supply grains.

## **PROGRAMME 5: VIABILITY OF THE AGRICULTURAL SECTOR**

### **The Agriculture and Agro-processing Master Plan (AAMP)**

The NAMC has been appointed by the Department of Agriculture, Land Reform and Rural Development (DALRRD) to co-ordinate the compilation of the Agriculture and Agro-processing Master Plan (AAMP). The AAMP seeks to identify bottlenecks that have constrained the growth of the sector and also excluded many potential participants. The AAMP also proposes practical solutions to solving previous implementation challenges in the sector in order to ensure that it is viable in the long term, especially in the wake of the COVID-19 crisis. The AAMP-related work will be a collaboration between the various spheres of government, as well as the private sector.

### **Strategic integrated projects coordination**

The NAMC is the co-ordinator of Strategic Integrated Projects (SIP 11), which is one of the 18 flagship infrastructure projects overseen by the Presidential Infrastructure Co-ordinating Commission (PICC), the purpose of which is to ensure the enabling of agro-logistics and rural infrastructure investments that would unlock the potential of rural areas to create jobs. The country's National Development Plan (NDP): Vision for 2030 supports the need for investment in a "strong network of economic infrastructure designed to support the country's (South Africa) medium- and long-term objectives" in order to achieve sustainable and inclusive growth. In the 2019/20 financial year, the NAMC submitted four quarterly construction update reports to the PICC.

### **Registrations, records and returns**

#### **Summary of statutory measures**

The following table summarises the statutory measures that were applicable in the South African agricultural sector during the 2018/19 financial year:



**Table 9: Statutory measures applicable during the 2018/19 financial year**

Industry	Administration body	Statutory Measures		
		Statutory levy	Records and returns	Registration
Citrus exported	Citrus Growers' Association	√	√	√
Cotton	Cotton SA	√	√	√
Dairy	Milk SA	√	√	√
Deciduous fruit	HORTGRO	√	√	√
Dried fruit	Dried Fruit Technical Services	√	√	√
Fruit industry	Agrihub		√	√
Fynbos (proteas)	Cape Flora SA	√	√	√
Maize, Winter cereals, Sorghum and Oilseeds	South African Grain Information Service		√	√
Lucerne	National Lucerne Trust	√	√	√
Macadamias	Southern African Macadamia Growers' Association	√	√	√
Milk	Milk Producers' Organisation		√	√
Olives	SA Olive	√	√	√
Pecan nuts	SA Pecan Producers' Association	√	√	√
Pomegranates	Pomegranate Association of South Africa	√	√	√
Pork	SA Pork Producers' Organisation	√	√	√
Potatoes	Potato Industry Development Trust	√	√	√
Red meat	Red Meat Levy Admin	√	√	√
Table eggs	SA Poultry Association	√		
Table grapes	SA Table Grape Industry	√	√	√
Wine	SA Wine Information & Systems; Wine Industry Network of Expertise and Technology, Wines of South Africa and SA Wine Industry Transformation Unit	√	√	√
Winter cereals	Winter Cereal Trust SA Cultivar and Technology Agency (SACTA)	√ √		
Wool	Cape Wools SA		√	√

### Register of directly affected groups

The MAP Act stipulates that an application for statutory measures must contain particulars or evidence of support by directly affected groups. For the past almost two decades the NAMC has used the guideline that two thirds of directly affected groups, representing two thirds of the production, must support an application for statutory measures. This is only a guideline, and much larger support is preferable for the successful administration of statutory measures in the agricultural sector.

## **Agricultural industry trusts support**

### **Appointment of Ministerial Trustees & Induction**

The terms of the ministerial trustees in the Oil and Protein Seeds Development Trust expired on 28 February 2020, and submissions to the Minister with proposed candidates were made and are awaiting the Minister's approval. The terms of the ministerial trustees in the Citrus Industry Trust expired in May 2019, however, and the replacements have not yet been approved. The term of Ms N. Dlula as a ministerial trustee in the Wool Trust expired on 4 October 2019, and Ms J. Joyce Letswalo replaced her. In the Winter Cereals Trust, the terms of Mr Neo Masithela, Mr Tato Make and Ms Mmaphefo Mabe expired at the end of March 2019 and they were replaced by Dr Paulina Bopape-Mabapa Moshibudi, Mr Luvuyo Mabombo and Ms Sharon Thembi Xaba. Following the appointment by the Minister, the NAMC conducted a comprehensive induction for the newly appointed ministerial trustees to gear them up for their respective duties. The induction covers the role of the NAMC with regard to the industry trusts and unpacking the governance of the trusts for the trustees to clearly understand their roles in the respective trusts in which the Minister is represented.

### **Engagement between the NAMC and Agricultural Industry Trusts**

On 11 March 2020, the NAMC hosted an engagement with the agricultural industry trusts at the OR Tambo Southern Sun Hotel, Johannesburg. The engagement was well attended by various delegates from amongst stakeholders from the Department of Agriculture, Land Reform and Rural Development (DALRRD), the NAMC, Onderstepoort Biological Products (OBP), Agricultural Research Council (ARC) and industry trusts. All the industry trust administrators gave presentations on the performance of their investments, meaning growth or decline in the assets, and outlining challenges and successes with regard to transformation and administrative matters. The way forward emerging from this engagement included NAMC Council commitments through the Acting Chairperson to arrange with the Minister to provide feedback on the engagement with the trusts (challenges and solutions), and proposing a rand-to-rand approach between the Department and industry trusts to speed up transformation in the agricultural sector. There are several success stories in the smallholder farming sector as a result of the funding by the industry trusts through utilisation of the trusts' funds.

### **Status report on Agricultural Industry Trusts**

Annually, the Agricultural Industry Trust Division prepares the status report on the agricultural industry trusts (AIT). The main purpose of the AIT is to advise the Minister of DAFF on the operations, financial performance and transformation expenditures of the respective trusts. The status report for the 2019 survey has been finalised and will be published and shared with the Minister, the Portfolio Committee and the general public. Important to note is that given the current market conditions, most of the trusts' portfolios did not perform well and this has led to an asset decrease from R2.4 billion in 2018 to R2.3 billion in 2019. The NAMC sits on some of the industry trusts boards as observers, serving as a platform to share information and engage face-to-face with the industry trusts on issues of transformation and to provide guidance on the governance of the trusts while providing strategic advice to the trusts.

### **FANRPAN support**

The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) is a regional multi-stakeholder network formed in response to a call by agriculture ministers in the Eastern and Southern Africa region for a network that could provide independent evidence to inform policy harmonisation at a regional level (visit [www.fanrpan.org](http://www.fanrpan.org) for details). The network is representative of key stakeholders in food, agriculture and natural resources, which include governments, farmer organisations, researchers, the private sector, parliamentarians and the media. FANRPAN currently works in 16 African countries, including South Africa. The National Agricultural Marketing Council (NAMC) is the Node Hosting Institution of FANRPAN in South Africa. As a node hosting institution, the NAMC co-ordinates in-country FANRPAN policy dialogues while commissioning and supervising national policy research, tracking national policy agendas, and maintaining a database of ongoing policy research and policy processes in the country.

For the period under review, it should be noted that the AFRICAP project has made significant progress. The activities that were performed under FANRPAN support are as follows:

- GCRF–AFRICAP Executive Board and general monthly online meetings were attended;
- AFRICAP household survey data collection was concluded, and the report is being finalised;
- Comments were made on the draft National Climate Change Adaptation Strategy gazetted on 6 May 2019, reference no. 42446;
- Engagements with SANTAM (with FANRPAN CEO) and the FANRPAN Steering Committee were facilitated;
- Ongoing engagements with the Free State Provincial Department of Agriculture and Department of Rural Development and Land Reform (DRDLR) for the implementation of GCRF-AFRICAP;
- Timely meetings between FANRPAN and the NAMC were facilitated;
- Participation in the validation workshop on the African Union biennial report on progress made in implementing the 2014 Malabo Declaration;
- Participation in the FANRPAN high-level dialogue in Kigali, Rwanda;
- All GCRF-AFRICAP country nodes quarterly reports were completed and submitted;
- Media engagements on the footprint of the AFRICAP research to influence policy were co-ordinated;
- AFRICAP HAVA survey report was finalised;
- PIVA exercise in South Africa and Malawi was conducted; and
- A consultative meeting between DSI, TIA and FANRPAN (linking the stakeholders) was held.

## 2.5. Transfer Payments

See attached Annexure B: approved NAMC Annual Financial Statements.

## 2.6. Conditional Grants

Not applicable

## 2.7. Donor Funds

Not applicable

## 2.8. Capital Investment

Please see attached Annexure B: approved NAMC Annual Financial Statement.



# PART C

CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

## 3.1. Introduction

Government has identified good corporate governance as being one of the key focus areas within the public sector, leading to the creation of the Protocol on Corporate Governance in the Public Sector, which encompasses the recommendations by the King Codes on Corporate Governance.

The NAMC undertakes to promote good corporate governance, which will encourage an efficient, effective and transparent business enterprise (item 3.2 to 3.4 completed above – reference is made to pages 41 to 43).

## 3.2. Risk Management

Risk management is, in essence, about proactively identifying and understanding the factors and events that may impact the achievement of strategic and operational objectives, including the managing, monitoring and reporting of the risks and opportunities. It is in this regard that the Risk and Compliance Unit of the NAMC was established based on the prescripts of the Public Finance Management Act, Treasury Regulations and Public Sector Risk Management Framework issued by the National Treasury. The realisation of the Risk Management Strategy was executed through a Risk Management Implementation Plan approved by the Council. The Risk Management Implementation Plan is meant to guide and assist in implementing the activities that will assist in serving the organisation.

The Risk Implementation Plan empowered the Risk and Compliance Unit to perform the following:

- Facilitation of the risk identification,
- Risk mitigation;
- Risk monitoring and reporting at operational, project and strategic level;
- Implementation of the approved fraud prevention policy;
- Implementation of the approved continuity management;
- Implementation of the compliance and ethics programme; and
- Implementation of the combined assurance framework.

## Fraud and Corruption

The NAMC has an approved Fraud Prevention Policy, which is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the entity. The NAMC has zero tolerance towards fraud and corruption; in addition, the entity has a declaration of interest policy which ensures that the values of the entity are maintained and upheld.

To date, the Fraud Risk Register for the financial year 2019/20 has 16 control improvement plans, with 10 of those agreed-upon action plans having been implemented and six control improvements plans not having been implemented by relevant risk owners. The Risk Unit continues to work with risk owners to ensure that outstanding control improvements are implemented.

## Minimising Conflict of Interest

In managing the risk of conflict of interest, it is a requirement that all officials in the supply chain management unit and all internal staff participating in the tender/procurement committees – whether bid specification, bid evaluation or bid adjudication – complete declaration of interest forms and the code of conduct. In instances where an affected party is conflicted, it is a requirement that recusal be made and that the matter of conflict be declared and registered.

## Code of Conduct

The NAMC code of conduct sets out the standard social norms, regulations and responsibilities that employees must adhere to in performing their duties. Investigations have been conducted in instances of misconduct as a result of non-compliance with policies.

## Health Safety and Environmental Issues

With the recent COVID-19 pandemic, the NAMC has had to refocus its efforts in ensuring the health and safety of its employees and putting in place measures to prevent the transmission of the disease in the workplace. These measures included the implementation of standard precautions and the provision of personal protective equipment, such as gloves, masks and hand sanitisers. Employees were permitted to work from home to limit the number of employees in the office; moreover, the Occupational Health and Safety Policy & Procedure was revised to make allowance for any future outbreaks.

### Portfolio Committee

Parliament exercises its oversight role of the NAMC by evaluating its performance and interrogating its annual financial statements and other relevant documents. This oversight role is fulfilled by the Portfolio Committee on Agriculture, Forestry and Fisheries and by the Standing Committee on Public Accounts (SCOPA).

The Portfolio Committee oversees service delivery and performance in accordance with the mandate and strategy of the NAMC. The Committee reviews financial and non-financial information, such as efficiency and effectiveness measures, and therefore reviews the non-financial information contained in the annual report of the NAMC.

### Scopa Resolutions

SCOPA oversees the financial performance and accountability of the NAMC in terms of the PFMA, and it, therefore, reviews the annual financial statements and audit reports from the Auditor General of South Africa.

### Internal Control Unit

The Council has the ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. This function is delegated to the executive management to ensure that the risks are properly managed. The controls throughout the entity focus on the critical risk areas identified and confirmed by management.

The Council relies on the Audit & Risk Committee, Risk Management Committee and Internal Auditors to monitor and report on the status of internal controls at the NAMC. These controls are designed to provide a cost-effective assurance that assets are safeguarded and that the available working capital is managed efficiently, effectively and economically.

Organisational policies, procedures and the delegation of authority provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms. The designed internal controls are closely monitored by both management and internal audit and actions are taken to correct deficiencies identified.

### Internal Audit and Audit Committees

The Audit & Risk Committee plays an important role in ensuring that an entity functions according to good governance, accounting and audit standards.

The Committee also monitors the adoption of appropriate risk management arrangements and provide a brief description of the following:

- Key activities and objectives of the internal audit
- Specify summary of audit work done
- Key activities and objectives of the Audit & Risk Committee
- Attendance of Audit & Risk Committee Committee meetings by Audit & Risk Committee members

## 3.3. Audit & Risk Committee Report

### Introduction

The Audit and Risk Committee is pleased to present the report for the financial year ended 31 March 2020. The Audit and Risk Committee exists as an independent statutory Committee appointed by the Council of the National Agricultural Marketing (“NAMC”).

The Committee operates within the approved Audit and Risk Committee Charter and complies with all relevant legislation in executing its responsibilities in terms of the PFMA and Treasury Regulations and the requirements of King 1V.

### Composition

The Audit and Risk Committee comprises of three Independent External Members namely, Ms L Mothae (the Chairperson), Ms A Mafuleka and Dr P Dala and two Council Members namely, Ms N Mokose and Mr G Schutte.

The Chief Executive Officer, Chief Financial Officer, Chairperson of the Information Communication Technology Steering Committee, Human Resources Manager and the Risk and Compliance Manager are all standing invitees to the Audit and Risk Committee meetings. Representatives from Nexia SAB&T (Internal Auditors) and the Auditor General (External Auditors) are all invited to the Audit and Risk Committee meetings.



The table below discloses relevant information on the audit committee members

**Table 10: Audit & Risk Committee meetings**

Name	Qualifications	Internal or external member	No. of meetings attended
Ms Lerato Mothae	CA(SA)	External Independent Member	9 out of 9
Ms Ayanda Mafuleka	CA(SA)	External Independent Member	7 out of 9
Dr Prittish Dala	D.Phil IT	External Independent Member	9 out of 9
Ms Nonie Mokose	Master's of Agriculture in Rural Development	External Council Member	8 out of 9
Mr Gerhard Schutte	Master's in Agriculture	External Council Member	7 out of 9

### Key Committee Activities

#### Statutory Duties

The roles and responsibilities of the Audit and Risk Committee as per Section 51(1) (a)(ii) and Section 76(4)d of the Public Finance Management Act ("PFMA"), Treasury Regulations Section 27 (1) and the requirements of the KING 1V Code of Corporate Governance include:

- To assist the Council in its evaluation of the adequacy and effectiveness of the internal control systems, governance, accounting practices, information systems, risk management and auditing processes applied within the NAMC'S day to day management of its business;
- To facilitate and promote communication between Council, Management, the External Auditors and Internal Auditors on matters which fall within the responsibilities of the Committee;
- To ensure the risk and compliance areas of NAMC operations to be covered in the scope of Internal and External audits;
- To ensure the accounting and auditing concerns identified from the internal and external audits conducted during the period under review are addressed;
- To ensure NAMC compliance with legal and regulatory provisions, the MAP Act and the PFMA as well as the Treasury Regulations; and
- To ensure the independence and objectivity of the Internal and External Auditors.

#### Internal Controls

Below are the primary activities undertaken by the Audit & Risk Committee in assessing the effectiveness of internal controls:

- Reviewed Financial management and ICT reports;
- Reviewed Risk and Compliance Management Reports;
- Reviewed the quarterly legal reports setting out the latest legislative and regulatory developments;
- Considered and, where appropriate, made recommendations on internal financial controls; and
- Reviewed the Audit Improvement Plans.

The key outcomes following the above assessment procedures include:

- The internal financial controls and systems in the NAMC, although enhanced from the prior year, still require improvement;
- The NAMC'S 's system of internal financial control is considered to be effective and forms a sound basis for the preparation of reliable annual financial statements;
- The Audit and Risk Committee is particularly concerned with the year on year status quo and/or regression on certain key areas including the following:
  - ◊ Concerning financial viability assessment of the NAMC;
  - ◊ Adverse opinion on the Audit of Predetermined Objectives;
  - ◊ Shortcomings in the Supply Chain Management environment and processes;
  - ◊ Non implementation of consequence management on financial misconduct findings committed in contravention of the legislative prescripts governing the NAMC;
  - ◊ Ineffective compliance monitoring;



- ◇ Ineffective implementation of risk management, combined assurance, compliance and business continuity management;
- ◇ Delays in addressing irregular expenditure in accordance with the requirements of the relevant framework;
- ◇ Ineffectiveness of the ICT and cyber security control environment; and
- ◇ Findings by the Auditor General on leadership oversight over the NAMC by the Accounting Authority.

### Whistle-Blowing

The Audit and Risk Committee continued to receive and consider complaints received relating to the NAMC via the whistleblowing hotline.

### External Auditors

The Audit and Risk Committee independently engaged the Auditor General and the Committee is satisfied that it has adequately discharged its legal and regulatory responsibilities.

The Committee has reviewed and accepted the Auditor General's final Management Report and Audit Opinion relating the Annual Financial Statements, Audit of Performance Information and Compliance with legislation as well as the audit findings issued by the Auditor General which are to be addressed in accordance with the mitigation action plans as agreed between NAMC and the AGSA.

### Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed the appropriateness of accounting policies;
- Reviewed the appropriateness of assumptions made by Management in preparing the annual financial statements;
- Reviewed the significant accounting and reporting issues, and understood their impact on the annual financial statements;
- Reviewed the annual financial statements and considered that they are complete, consistent with prescribed accounting practices and information known by the Committee; and
- Obtained assurance from Management with respect to the completeness and accuracy of the annual financial statements.

### Irregular, Fruitless and Wasteful Expenditure

The Audit and Risk Committee is gravely concerned with the continued increase in irregular expenditure. The majority of the irregular expenditure was caused by the contract of the National Red Meat Development Project (NRMDP) amounting to R28,98m which was signed without the requisite authorization.

### Governance of Risk

The Audit and Risk Committee has continued to fulfill its oversight role regarding:

- Enterprise risk management;
- Compliance Management;
- Anti-Corruption and Fraud;
- Business Continuity Management; and
- Combined Assurance.

### Internal Audit

The Audit & Risk Committee discharged its responsibility to approve the annual and three year rolling plan and consider Internal Audits quarterly reports and the mitigation action plans as agreed between NAMC and Internal Audit.

The Committee further ensured that Internal Audit remained independent, objective and had the necessary resources, standing and authority within the NAMC to enable it to discharge its duties.

### Conclusion

The Audit and Risk Committee recommended the approval of the audited March 2020 annual financial statements and the audit opinion thereon at its meeting held on 25 September 2020 and these annual financial statements and audit opinion were duly approved by the Council on 30 Sept 2020 to be included in the NAMC Annual Report for the financial year ended March 2020.



Ms Lerato Mothae

Independent Chairperson of the Audit & Risk Committee

National Agricultural Marketing Council

Date: 06/10/2020

#### 2.4. Composition of the Council Board

Name	Designation (in terms of Public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship	Other committees or task teams (e.g. Audit Committee/ Ministerial Task Team)	No. of meetings attended
Mr Harry Prinsloo	Acting Chairperson: Council	25 May 2017	-	Bachelor of Science in Agriculture (University of the Free State)	Wool Grower - Commercial Farmer	Former Chairperson of the National Wool Growers' Association (NWGA), Member of Cape Wools Board, Member of Wool Testing Bureau, Former Chairperson of the Producers' Working Group at the International Wool and Textile Organization (IWTO), Chairperson of the Commodity Chamber and Commercial Agriculture Policy Committee.	None	07 out of 11
Ms Fezeka Mkile	Council Member	25 May 2017	-	Bachelor of Administration (University of Durban Westville), Diploma Office Management and Information Technology (Infotech College), Introduction to Corporate Governance and Board Effectiveness, Bieng a Director Part 1-5, Governance of Ethics, Financial insights for Non-financial Directors, Mastering Chairmanship (Institute of Directors Southern Africa), Certificate of Competence in Leadership and Team Building (Ubumbo Research and Development).	Agribusiness Development	Chairperson of the Cookhouse Wind Farm Community Trust. Board Member of the Renewables Cookhouse Wind Farm 1 (RF) Proprietary Limited. Director – Fezzz Business Enterprises and Suppliers. Former Deputy Chairperson of the Board of Director – Eastern Cape Rural Development Agency (ECRDA). Former Director at Kangeela Citrus Farm.	Chairperson of HR & R Committee	11 out of 11

Name	Designation (in terms of Public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship	Other committees or task teams (e.g. Audit Committee/ Ministerial Task Team)	No. of meetings attended
Mr Happy Mohane	Council Member	25 May 2017	-	Masters in Commerce Economics (University of Natal), Masters of Science in Agricultural Economics (University of Pretoria), Bachelor of Science Honors Degree Agricultural Economics (University of Pretoria), Bachelor of Science Agriculture (University of North West).	Agricultural Economics, Agribusiness Development; Business Linkages, Value Chain Analysis	Board Member of Orange River Cellars (ORC); Board Member of Orange River Tankers (ORT); Board Member of the South African Grain Information Service (SAGIS); Board Member of the Grain Farmer Development Association (GFADA); Trustee of Sorghum Trust; Member of the Audit Committee of the Department of Economic Development, Environmental Affairs and Tourism (Free State), Chairperson of the Board of Stargrow Development	HR & R Committee Member	11 out of 11
Mr Boikanyo Mokgatle	Council Member	25 May 2017	-	Bachelor of Agricultural Economics Honours: University of Forte Hare	Agricultural Economics	Chair: SAGL Board of Directors; Commissioner: International Trade Administration Commission (ITAC); Member: RSA Steel Committee; Trustee: Winter Cereal Trust Board.	HR & R Committee Member	7 out of 11
Ms Nonie Mokose	Council Member	25 May 2017	-	Master's of Agriculture in Rural Development (University of Pretoria), BSc. Nutritional Sciences (Cornell University, Ithaca, New York)	Rural Development, Agricultural and Farmer Empowerment and Development, Food Manufacturing and Consumer Marketing	Council Member- Central University of Technology (Free State) Specialist Agriculture Portfolio; Vice Chairperson and Member of Planning, Finance and Resources Committee- Central University of Technology (Free State).	Audit & Risk Committee Member	11 out of 11

Name	Designation (in terms of Public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship	Other committees or task teams (e.g. Audit Committee/ Ministerial Task Team)	No. of meetings attended
Prof. Diale Rangaka	Council Member	25 May 2017	-	Master of Arts (Sussex), Master's in Education (Wits), Bachelor of Arts (University of Limpopo), Bachelor of Arts Honours (University of Limpopo), Management Development Programme (University of Stellenbosch).	Winery, Livestock management, Executive Management, Public Relations	Senator: UNW, UoJ; Chairman of Kopanong Hospital Board, Chairperson of the African Vintners Alliance Cooperative, Board Member (Wines of South Africa), South African Wine Industry Trust., South African Wine Industry Transformation Unit, Member (National English Literary Museum Council, Committee member HPCSA Subcommittee Environment Health Officers Profession, Koelenhof Cellars Coop, Cape Winelands District Municipality), Chairman of Bright Futures Foundation.	Risk and Finance Committee of SAWITU; Council Sect. 7 Committee	9 out of 11
Mr Gerhard Schutte	Council Member	25 May 2017	-	Master's in Agriculture, Baccalaureus Honours in Agriculture (Animal Nutrition), Bachelor of Science in Agriculture.	Red Meat Farming, Executive Management, CEO : National Red Meat Producers Organisation	Member of the CEO Forum; Vice Chairperson of National Animal Health; Forum Board; Member of Onderstepoort Advisory Board; Member of National Agricultural Research Forum; Manager of National Stock Theft Forum; Member of Predation Management South Africa; Director and Executive Member of Red Meat Industry Forum.	Audit & Risk Committee Member	09 out of 11

## COUNCIL COMMITTEES – 1 APRIL 2019 TO 31 MARCH 2020

### AUDIT AND RISK COMMITTEE

No.	Name	Role	No. of meetings attended
1	Ms Lerato Mothae	Chairperson	9 out of 9
2	Ms Ayanda Mafuleka	Audit and Risk Committee Member	7 out of 9
3	Dr Pritish Dala	Audit and Risk Committee Member and Chairperson of the Risk Management Committee	9 out of 9
4	Mr Gerhard Schutte	Council Member	7 out of 9
5	Ms Nonie Mokose	Council Member	8 out of 9

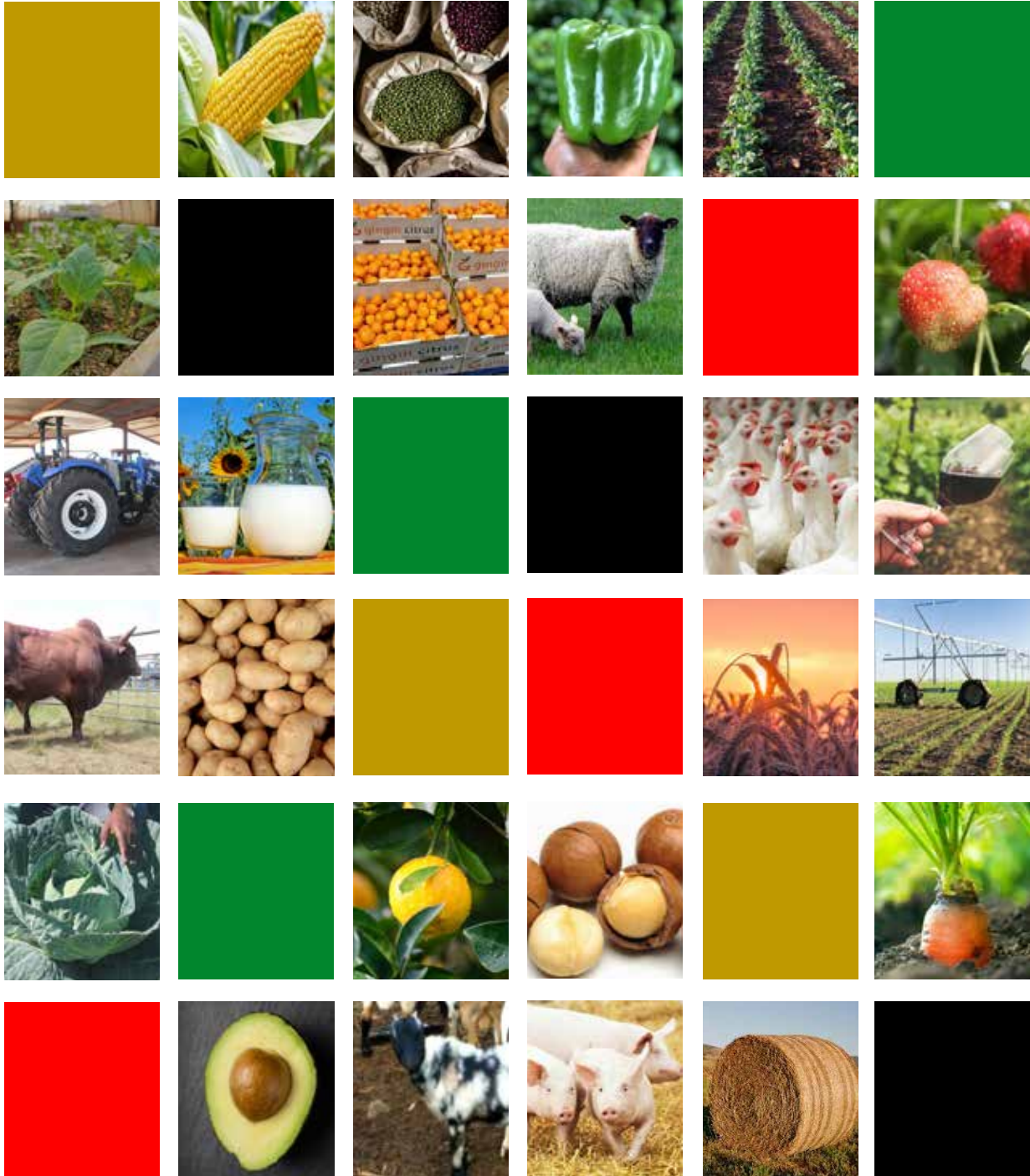
### HUMAN RESOURCES & REMUNERATION COMMITTEE

No.	Name	Role	No. of meetings attended
1	Mr Sindile Faku	Chairperson, Council Member	3 out of 5
2	Mr Happy Mohane	Council Member	5 out of 5
3	Mr Boikanyo Mokgatle	Council Member	4 out of 5
4	Ms Fezeka Mkiile	Council Member	5 out of 5



### RISK MANAGEMENT COMMITTEE

No.	Name	Role	No. of Meetings attended
1.	Dr Pritish Dala	Chairperson and Audit & Risk Committee Member	5 out of 5
2.	Mr Z. Xalisa	Chief Executive Officer	0 out of 5
3.	Ms S.F. Netili	Chief Financial Officer	5 out of 5
4.	Ms V. Nkobi	Senior Manager: Human Resources Management	4 out of 5
5.	Dr S. Nggangweni	Senior Manager: Markets & Economic Research Centre	4 out of 5
6.	Mr S. Burger	Senior Manager: Statutory Measures	5 out of 5
7.	Ms K. Mosoma	Senior Manager: Agribusiness Development	4 out of 5
8.	Mr B. Nyhodo	Senior Manager: Agricultural Trusts	4 out of 5
9.	Mr Stephen Monamodi	Communications Officer	3 out of 5

# IMAGINE A DAY WITHOUT AGRICULTURE



 536 Francis Baard Street, Meintjiesplein Building, Block A, 4th Floor, Arcadia, 0007

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 info@namc.co.za  [www.namc.co.za/initiatives/branding-sa-agriculture/](http://www.namc.co.za/initiatives/branding-sa-agriculture/)







# PART D

HUMAN RESOURCE  
MANAGEMENT



## HUMAN CAPITAL STATISTICS

Table 11: Personnel Cost by Programme

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel Expenditure as a %	No of Employees	Average personnel cost per employee (R'000)
CEO's Office, Council and Audit	7 364 375	6 897 589	14%	4	1 724
Finance & Administration	16 478 473	5 551 973	11%	7	793
Human Resources	8 031 036	4 801 669	10%	11	437
MERC	12 473 554	10 951 725	22%	14	782
Statutory Measures	3 054 006	2 923 984	6%	4	731
Agricultural Trust	3 042 822	2 227 120	5%	4	557
Agribusiness Development	34 414 452	15 827 217	32%	3	5 276
<b>TOTAL</b>	<b>84 858 719</b>	<b>49 181 277</b>	<b>100%</b>	<b>47</b>	<b>10 300</b>

Table 12: Personnel per Salary Band

Level	Personnel Expenditure	% of personnel expenditure to total personnel	No. Employee	Average personnel cost per employee (R'000)
Top Management	6 233 100	13%	2	3 117
Senior Management	8 105 647	16%	5	1 621
Professional Qualified	19 155 214	39%	16	1 197
Skilled	13 342 564	27%	18	741
Semi-skilled	2 034 188	4%	4	509
Unskilled	310 564	1%	2	155
<b>TOTAL</b>	<b>49 181 277</b>	<b>100%</b>	<b>47</b>	<b>7 340</b>

**Table 13: Training Cost Per Programme**

Directorate/ Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of personnel cost	No. Of employees trained	Average training cost per employee
MERC	10 951 725	52 565	6%	3	17 522
Financial & Administration	5 551 973	87 164	10%	5	17 433
Statutory Measures	2 923 984	1 285	0%	1	1 285
Human Resources and External Students (10)	4 801 669	559 778	67%	15	37 319
CEO's office	6 897 589	43 739	5%	3	14 580
Agribusiness Development	15 827 217	70 358	8%	3	23 453
Agricultural Trust	2 227 120	25 246	3%	2	12 623
<b>TOTAL</b>	<b>49 181 277</b>	<b>840 135</b>	<b>100%</b>	<b>32</b>	<b>124 213</b>

**Table 14: Employment & Vacancies**

Programme	2019/2020 Approved Posts	2019/2020 No. Of Employees	2019/2020 Vacancies	% of Vacancies
Programme 1: CEO's Office	5	3	2	4 %
Programme 1: Finance and Administration	7	7	0	0
Programme 1: Human Resources	13	12	1	2 %
Programme 2: MERC	14	14	0	0
Programme 3: Statutory Measures	4	4	0	0
Programme 4: Agricultural Trusts	4	4	0	0
Programme 5: Agribusiness Development	3	3	0	0
<b>TOTAL</b>	<b>50</b>	<b>47</b>	<b>0</b>	<b>6 %</b>

**Table 15: Employment Gender Equity**

Gender	Number	% of total staff
Males	24	51 %
Females	23	49 %
<b>TOTAL EMPLOYEES</b>	<b>47</b>	<b>100%</b>

**Table 16: Female Employment Equity**

Levels	African Females	Coloured Females	Indian Females	White Females
Top Management	1	0	0	0
Senior Management	2	0	0	0
Professional Qualified	3	0	0	5
Skilled	8	0	0	0
Semi-skilled	0	0	0	3
Unskilled	1	0	0	0
<b>TOTAL</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>8</b>

**Table 17: Male Employment Equity**

Levels	African Males	Coloured Males	Indian Males	White Males
Top Management	0	0	0	0
Senior Management	2	0	0	1
Professional Qualified	9	0	0	1
Skilled	10	0	0	0
Semi-skilled	1	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>2</b>

**Table 18: Organisational Senior Management Gender Equity (% Of Total Staff)**

Gender	Number	% of total staff
Senior Management - Males	3	6 %
Senior Management - Females	2	4 %
<b>TOTAL STAFF</b>	<b>47</b>	<b>11 %</b>

**Table 19: Top Management Gender Equity**

Gender	Number	% of total staff
Top Management - Males	0	0 %
Top Management - Females	1	2 %
<b>TOTAL</b>	<b>1</b>	<b>2 %</b>

**Table 20: Disability**

Levels	Males	Females
Top Management	0	0
Senior Management	1	0
Professional Qualified	0	0
Skilled	0	0
Unskilled	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>

**Table 21: Reasons For Staff Leaving (% Of Termination)**

Reasons	Number	% of total no. of staff leaving
Death	0	0 %
Resignation	4	9 %
Retrenchment	0	0 %
Retirement	0	0 %
111 Health	0	0 %
Expiry of Contract	0	0 %
Dismissal	0	0 %
<b>TOTAL EMPLOYEES</b>	<b>47</b>	<b>9 %</b>

**Table 22: Labour Relations: Misconduct & Disciplinary Actions**

Nature of Disciplinary Action	Number	% of total no of staff leaving
Verbal warning	0	0%
Written warning	0	9%
Final written warning	1	0%
Dismissal	0	0%
<b>TOTAL</b>	<b>1</b>	<b>0%</b>



# PART E

FINANCIAL INFORMATION

# FINANCIAL INFORMATION

## Contents

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## General Information

<b>Country of Incorporation and Domicile</b>	<b>Republic of South Africa</b>
<b>Nature of Business and Principal Activities</b>	Administration of the 1996 Marketing Act and advise the Minister of Agriculture, Land Reform and Rural Development on the provision of the Act, and provision of marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa
<b>Accounting Authority</b>	<p>Prof. PK Chauke: Contract terminated in May 2019</p> <p>Mr. JH Prinsloo: Acting Chairperson of the Council</p> <p>Mr. S Faku - Resigned in October 2019</p> <p>Mrs. F Mkile</p> <p>Mr. H Mohane</p> <p>Mr. B Mogatle</p> <p>Ms. N Mokose</p> <p>Prof. D Rangaka</p> <p>Mr GM Schutte</p> <p>Mr. ZW Wapi - Resigned in December 2019</p>
<b>Registered Office</b>	<p>536 Francis Baard Street</p> <p>Meintjiesplein Building</p> <p>Block A, 4th Floor Arcadia</p> <p>Pretoria</p> <p>0002</p>
<b>Bankers</b>	Standard Bank of South Africa
<b>Value Added Tax Number</b>	None
<b>Controlling Entity</b>	Department of Agriculture, Land Reform and Rural Development
<b>External Auditors</b>	Auditor-General of South Africa

# Report of the Auditor-General to Parliament on National Agricultural Marketing Council

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the National Agricultural Marketing Council set out on pages 75 to 147, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Agricultural Marketing Council as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International code of ethics for professional accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

# Report of the Auditor-General to Parliament on National Agricultural Marketing Council

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 3: efficiency of the marketing of agricultural products	31

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

### Programme 3: efficiency of the marketing of agricultural products

#### Various indicators

15. There was no clear and logical link between the indicators and targets and the strategic objective of the promotion of the efficiency of the marketing of agricultural products to which they relate. The indicators focused on reports produced, while the strategic objective focused on the promotion of the efficiency of the marketing of agricultural products.

Indicator description	Strategic objective
Input cost monitoring reports produced	Promote the efficiency of the marketing of agricultural products
Food basket price monthly reports produced	Promote the efficiency of the marketing of agricultural products

# Report of the Auditor-General to Parliament on National Agricultural Marketing Council

16. The method of calculation for measuring the planned indicators was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions.

Indicator description	Strategic objective
Agro food chain research reports produced	Promote the efficiency of the marketing of agricultural products
Agricultural capacity development facilitation report produced	Promote the efficiency of the marketing of agricultural products
Training evaluation reports produced	Promote the efficiency of the marketing of agricultural products

### Percentage of statutory measures investigations received and responded to

17. The planned indicator was expressed as a percentage, but the reported achievement and the target was 30 Statutory measures investigations received and responded to, expressed as a numerical.

### Other matters

18. I draw attention to the matters below.

### Achievement of planned targets

19. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year and explanations provided for the overachievement of a target. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph 15 of this report.

### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: efficiency of the marketing of agricultural products. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

# Report of the Auditor-General to Parliament on National Agricultural Marketing Council

## Report on the audit of compliance with legislation

### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislation are as follows:

### Procurement and contract management

23. Some goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.
24. Some goods and services with a transaction value above R500 000 were procured without inviting competitive bids as required by treasury regulations 16A6. This non-compliance was identified in the procurement processes for the national red meat development programme.

### Consequence management

25. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some officials, as required by treasury regulation 33.1.1.

### Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R80 707 000, as disclosed in note 28 to the financial statements, as required by section 51 (1 )(b)(ii) of the PFMA. Most of the irregular expenditure was caused by a contract that was not approved by the appropriate delegation.

## Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

## Report of the Auditor-General to Parliament on National Agricultural Marketing Council

### Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
32. The control environment relating to oversight was not effective in the areas of performance and compliance reporting to ensure that performance reporting was credible and compliance matters were adhered to.
33. The public entity did not have adequate controls for monitoring compliance in the areas of supply chain management and performance information. This resulted in non-compliance not being detected.

Auditor – General

Pretoria  
30 September 2020



## Annexure — Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the public entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



National Agricultural Marketing Council

## Accounting Authority Responsibilities and Approval

Audited Financial Statements for the year ended 31 March 2020

The Accounting Authority is responsible for the preparation, integrity and fair presentation of the financial statements of the National Agricultural Marketing Council. The annual financial statements presented on pages 12 to 75 have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The Accounting Authority also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements.

Although there were concerns raised by other oversight committees around risk management unit within the entity, the focus of risk management in the entity was on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the accounting authority have no reason to believe that the entity will not be a going concern in the foreseeable future. The financial statements support the viability of the entity.

The annual financial statements as set out on pages 93 to 146 were approved and signed by the accounting authority on 30 September 2020 and were signed on their behalf by:



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Mr. JH Prinsloo  
Acting Chairperson  
National Agricultural Marketing Council

National Agricultural Marketing Council

# Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

## 1. Financial overview of the Business and Operations

### 1.1 National Agricultural Marketing Council (NAMC) Funding and Financial Performance

The NAMC received funding of R 45,2 million which represents the annual budget allocation for 2019/20 from the Department of Agriculture, Land Reform and Rural Development, whilst other income amounted to R35,8 million and interest generated amounted to R1,9 million. Total expenditure for 2019/20 amounted to R84,9 million.

### 1.2 Statement of Financial Position as at 31 March 2020 is as follows:

- Total assets increased by 50,9%, mainly due to an increase in receivables relating to the invoices raised towards year-end.
- Total liabilities increased by 80,3% mainly due to the an amount of R32,9 million invoiced to the Department of Agriculture, Land Reform and Rural Development, for the implementation of National Red Meat Development Project transitional Plan.

### 1.3 Cash Flow

The NAMC's cash position as at 31 March 2020 was R9,8 million. This entails unutilised sponsorship funding relating to projects as disclosed under note 19 of these annual financial statements.

National Agricultural Marketing Council

## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

### 2. Utilisation of Sponsorship Funding

During the period under review the entity received and utilised sponsorship funding as follows:

Name of project	Opening balance	Amount received/receivable	Amount utilised/Returned	Closing balance
<b>2019/20</b>	R'000	R'000	R'000	R'000
Strategic Infrastructure Project: SIP 11	84	-	(83)	1
Supply Chain Logistic Programme (Western Cape)	542	-	(38)	504
Agricultural Sector Education, Training Authority (AgriSeta)	154	1,025	(1,090)	89
Smallholder Farming in Agroprocessing industry	73	250	(110)	213
Ceres abattoir	2,214	-	(16)	2 198
Operation Phakisa	316	-	(156)	160
Food and Agriculture Organisation of the United Nations (FAO)	-	-	-	-
National Red Meat Development (NRMDP)	14,369	53,900	(28,979)	39,290
Eastern Cape Red Meat Development programme	3,177	-	(3,177)	-
<b>Total</b>	<b>20,929</b>	<b>55,175</b>	<b>(33,649)</b>	<b>42,455</b>

#### Agent and Principal sponsorship funding

Name of project	Opening balance	Amount received/receivable	Amount utilised/Returned	Closing balance
<b>2019/20</b>	R'000	R'000	R'000	R'000
Vineyard Development Scheme	620	-	(472)	148
Maize Meat Hub Feedlot	244	-	(96)	148
Australian Centre for International Agricultural Research (ACIAR)	510	-	(368)	142
<b>Total</b>	<b>1,374</b>	<b>-</b>	<b>(936)</b>	<b>438</b>

National Agricultural Marketing Council

## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

### 2.1 Strategic Infrastructure Project: SIP 11

An amount of R84,000.00 was deferred to the statement of financial position during the previous financial year 2018/19. The funding was provided by Department of Agriculture, Land Reform and Rural Development for the implementation of the Strategic Infrastructure Project.

An amount of R83,000.00 was utilised. The balance of R1,000.00 was deferred to the statement of financial position.

### 2.2 Vineyard Development Scheme project

An amount of R620,000.00 was deferred to the statement of financial position in 2018/19 financial year, and no additional amount was received from Northern Cape Department of Agriculture, Land Reform and Rural Development, for the purpose of facilitating the implementation of the Vine Yard Development Scheme in the Northern Cape Province.

An amount of R472,000.00 was utilised, and the balance of R148,000.00 was deferred to the statement of financial position.

### 2.3 Supply Chain Logistic Programme: Western Cape Department of Agriculture

An amount of R542,000.00 was deferred to the statement of financial position in 2018/19 financial year. These funds were received for the purpose of implementing the Southern Africa Development Community Supply Chain & Logistics Development programme.

An amount of R38,000.00 was utilised. The balance of R504,000.00 was deferred to the statement of financial position.

### 2.4 National Red Meat Development Project

An amount of R14,369,000.00 was deferred to the statement of financial position in 2018/19 financial year. These funds were received for the development of Red Meat Production Centres in nine (9) provinces. Additional amount of R20,961,000.00 was received during the period under review, and an invoice of R32,939,000.00 was raised, and as at year end the invoice has not yet been paid. However the money was received after year end.

An amount of R28,979,000.00 was utilised, and the balance of R39,290,000.00 was deferred to the statement of financial position.

### 2.5 Agricultural Sector, Education Training Authority (AgriSeta)

An amount of R154,000.00 was deferred to the statement of financial position in 2018/19 financial year. An additional amount of R677,000.00 was received from AgriSeta for bursaries and interns for 2019/20 financial year. A receivable amount of R348,000.00 raised for bursaries and as at year end this was not paid.

An amount of R1,090,000.00 was utilised, and an amount of R89,000.00 was deferred to the statement of financial position.

National Agricultural Marketing Council

## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

### 2.6 Smallholder Farming in Agro-processing Industry

An amount of R73,000.00 was deferred to the statement of financial position in 2018/19 financial year. These funds were received from Gauteng Department of Agriculture and Rural Development to conduct research on meaningful economic contribution of smallholder farmers in Gauteng province, promotion of gender and youth participation in Agro-processing and provide sustainable socio-economic benefits. An Invoice of R250,000.00 was raised as at year end this was not paid.

An amount of R110,000.00 was been utilised and the balance of R213,000.00 was deferred to the statement of financial position.

### 2.7 Australian Centre for International Agricultural Research (ACIAR)

An amount of R510,000.00 was deferred to the statement of financial position in 2018/19 financial year. The purpose of the funding is to identify, modify and develop a wider range of market systems and value chains available for small scale and emerging beef farmers in South Africa.

An amount of R368,000.00 was been utilised and the balance of R142,000.00 was deferred to the statement of financial position.

### 2.8 Ceres Abattoir project

The Department of Rural Development and Land Reform has appointed NAMC for governance, implementation, formal structuring and mentoring of beneficiaries as well as to give advice on how improvement of livestock should be undertaken, the Ceres Abattoir project is implemented in the Western Cape.

An amount of R2,214,000.00 was deferred to the statement of financial position in 2018/19 financial year, an amount of R16,000.00 had been utilised and the balance of R2,198,000.00 was deferred to the statement of financial position.

### 2.9 Operation Phakisa

The Operation Phakisa: Agriculture and Land Reform platform is aimed at generating consensus around the challenges facing the agricultural sector and finding lasting solutions in line with the country's long-term vision as articulated in the National Development Plan: Vision 2030.

It is supported by knowledge and information generated through research. Hence the Department of Agriculture, Land Reform and Rural Development commissioned the National Agricultural Marketing Council (NAMC) to undertake the research to support Operation Phakisa: Agriculture and Land Reform over a six-month period from September 2016 to February 2017.

An amount of R316,000.00 was deferred to the statement of financial position in 2018/19 financial year. As at this reporting date, An amount of R156,000.00 had been utilised and the balance of R160,000.00 was deferred to the statement of financial position.

### 2.10 The Maize Meat Hub Feedlot project

The Department of Rural Development and Land Reform has appointed NAMC to manage the construction of the Maize Meat Hub Feedlot in Elundini Local Municipality.

National Agricultural Marketing Council

## Report of the Chief Executive Officer

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An amount of R244,000.00 was deferred to the statement of financial position in 2018/19 financial year. An amount of R96,000.00 had been utilised and the balance of R148,000.00 was deferred to the statement of financial position.

### 2.11 Eastern Cape Red Meat Development project

An amount of R3,177,000.00 was deferred in the statement of financial position in 2018/19. The funds were received from Eastern Cape of Department of Agriculture, Rural Development and Agrarian Reform to support the National Red Meat project in the Eastern Cape.

An amount of R3,177,000.00 was utilised.

### 3. Events after the Reporting Date

After the date of this report, the NAMC received settlement agreement for withdrawal of litigation cases against the NAMC relating to Altivex (PTY)LTD( R7,960,000.00 contingent liability) and (R4,390,000.00 contingent assets) and Kgalakgadi Trading and Investment: (R197,000.00 contingent assets),this was previously disclosed as contingent liabilities and contingent assets.

During July 2020, The NAMC has received a report with regard to vandalism that occurred at Nongoma Feedlot, The mobile office was completely destroyed, this has been classified as non -adjusting events as the event occurred after the reporting date. Other events on vandalism that were reported to have occurred during the period under review were immaterial, therefore no adjustment have been made to the annual financial statements.

### 4. Materiality Framework

In terms of Treasury Regulation 28.2.1, the NAMC had a materiality framework for the period under review. This was used as a basis for reporting losses and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged by section 54(2) of the PFMA. Thus, it was used as a basis for evaluating the materiality of transactions and to determine the accounting treatment thereof.

### 5. Going concern

COVID-19: It is, however, critical to note that, at the time of producing these Annual Financial Statements, there is a global coronavirus pandemic and corresponding international health and economic crises unfolding. South Africa, like many countries around the world, is locked down in terms of strict regulations imposed by government. While the outcome is unclear, it is anticipated that the negative economic impact in South Africa and around the world will be severe in the short- to medium term. Most agricultural value chains have been exempted from the lockdown restrictions, many of the support services required for the agriculture and food system to function efficiently are not operating at full capacity, and since the National Agricultural Marketing Council's strategic objectives are to, increase market access for all market participants, promote the efficiency of the marketing of agricultural products, optimise export earnings from agricultural products, and enhance the viability of the agricultural sector. the National Agricultural Marketing Council's believes that the COVID-19 pandemic will have a major effect on all its stakeholders. The National Agricultural Marketing Council's has noted that the Minister of the Department of Agriculture, Land Reform and Rural Development has been in constant communication with the Chairperson of the Parliament's Portfolio Committee on Agriculture, Land Reform and Rural Development, as well as the National Council of Provinces (NCOP) Chairperson of the Select Committee and all members on measures the department is putting in place to assist farmers during this COVID-19 pandemic.The Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza, announced on 6 April 2020 the department's interventions to mitigate the impact of the COVID-19.The department of has ring-fenced R1.2 billion for assistance to mainly target financially distressed small-scale farmers. Of the R1.2 billion, R400 million has been allocated for farmers within the Proactive Land Acquisition Strategy (PLAS) programme and the remainder will be channelled

National Agricultural Marketing Council

## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

towards all other farmers that are mainly within the following commodity sectors Poultry: Day old chicks, Point of lay chickens, feed, medication and sawdust, Other Livestock: Feed and medication, Vegetables: Seedlings, fertilizer, pesticides, herbicides and soil correction Other commodity sectors will be evaluated on a case by case basis, as the Department of Agriculture, the National Agricultural Marketing Council mission is to provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa, and since the National Agricultural Marketing Council Overseeing Department is the Department of Agriculture, Land Reform and Rural Development (DALRRD), the National Agricultural Marketing Council (NAMC) will do all it can to assist the department of achieve its COVID19 interventions and goals while also implementing internal policies and procedures to ensure its staff are safe and protected and adhere to government regulations as per the Presidency's office.

The Accounting Authority has reviewed the annual financial statements for the period under review, and there is no reason to believe that the entity will not be able to continue its operations in the foreseeable future, based on the forecasts and the approved MTEF allocation by the Department of Agriculture, Land Reform and Rural Development, The impact of Covid-19 will not affect the entity's ability to pay its current liabilities and will be able to collect monies owed to the entity, as major part of the receivables are from the government department. These annual financial statements support the viability of the entity.

### 6. Annual Financial Statements

The annual financial statements have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP) and applicable legislations as stated in the financial statements, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements to comply with the statutory requirements of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations issued in terms of the Act, Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations of such statements issued by the Accounting Standards Board.

### 7. Corporate Governance

The NAMC as a public entity confirms its commitment to the principles of corporate governance as stated in the King IV Report on Corporate Governance.

In the governance of the NAMC, the Council is responsible for policy making and control, while the CEO has been delegated the responsibility of the day to day execution of the policies and objectives as directed by the Council. The members of the Council are appointed by the Minister of Agriculture, Land Reform and Rural Development on the basis of their expertise in the field of agriculture, business, financial management and research.

#### 7.1 Governance Structures

In order to comply with these principles, the Council has and continues to design and implement appropriate governance structures across the organisation. The Council acknowledges that, for it to set up an effective governance framework, robust governance structures need to be in place.

The following Council Committees were functional as at 31 March 2020:

- Audit and Risk Committee;
- Human Resources and Remuneration Committee.

Their respective terms of reference are outlined in the Committee charters.



National Agricultural Marketing Council

## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

### 7.2 The role of Council Committees

The Council's committees are charged with certain functions and operate within clearly defined terms of reference and continue to assist the Council with the governance function on the following principles:

#### 7.2.1 The role of Council Committees

The entity recognises the importance of risk management in ensuring that its objectives are achieved. A risk assessment has been undertaken which ensures that risks are appropriately mitigated by designing and implementing appropriate controls.

The risk assessment covers financial, operational, compliance and reputation risks and adherence to good governance principles. A key consideration in the risk assessment is compliance with laws and regulations. These include the PFMA, any regulations issued in terms of the PFMA, and the Preferential Procurement Policy Framework Act.

The risk management committee continued to function during the period under review. The Audit & Risk Committee has been assigned to play an oversight role in the enterprise-wide risk management activities.

#### 7.2.2 Internal Controls

The Council has the ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. This function is delegated to the executive management to ensure that the risks are properly managed.

The controls throughout the entity focus on the critical risk areas identified and confirmed by management. The Council relies on the Audit & Risk Committee, Risk Management Committee and Internal Auditors to monitor and report on the status of internal control at NAMC.

The controls are designed to provide cost-effective assurance that assets are safeguarded and that the available working capital is managed efficiently, effectively and economically.

Organisational policies, procedures and the delegation of authority provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms. The designed internal controls are closely monitored by both management and internal audit and actions are taken to correct deficiencies identified.

#### 7.2.3 Internal Audit

Nexia SAB & T continues to be the internal auditors for NAMC. The firm was reappointed in January 2020 for a further 3 years.

In line with the PFMA requirements, the internal auditor's objectives are to provide the Audit and Risk Committee and management with objective assurance that the internal controls are appropriate and effective. This is achieved by means of an objective appraisal and evaluation of the risk management processes, internal controls and governance processes, as well as identifying corrective action and suggested enhancements to the controls and processes.

The internal auditors are fully supported by management, Council and the Audit and Risk Committee and have full, unrestricted access to all organisational activities, records, property and personnel.

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## Report of the Chief Executive Officer

Audited Financial Statements for the year ended 31 March 2020

During the period under review, the internal auditors conducted Information Technology Service audit, Project management audit, Supply chain management audit, Enterprise risk management audit, Audit on Predetermined Objectives and Finance review as well as follow-up on prior year audit findings. The results were reported to management and Audit and Risk Committee.

### 7.2.4 Code of Conduct

The NAMC has a code of conduct policy dealing with ethical behaviour in the workplace. Employees are required to maintain high ethical standards and to ensure that NAMC's business practices are conducted in a manner that is above reproach.



Chief Executive Officer  
Dr. Simphiwe Ngqangweni  
National Agricultural Marketing Council

National Agricultural Marketing Council

# Statement of Financial Position

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	Notes	2020	2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	7,419	12,852
Investment property	12	1,687	1,723
Intangible assets	13	235	375
Receivables from exchange transactions	9	251	251
<b>Total non-current assets</b>		<b>9,592</b>	<b>15,201</b>
<b>Current assets</b>			
Inventories	8	95	1,232
Receivables from non-exchange transactions	9	34,071	242
Prepayments	9	64	337
Cash and cash equivalents	11	9,821	18,527
<b>Total current assets</b>		<b>44,051</b>	<b>20,338</b>
<b>Total assets</b>		<b>53,643</b>	<b>35,539</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance lease obligation	16	6	-
<b>Total non-current liabilities</b>		<b>6</b>	<b>-</b>
<b>Current liabilities</b>			
Finance lease obligation	16	20	65
Operating lease payable	17	40	80
Payables from exchange transactions	18	2,095	2,531
Deferred liability	19	42,893	22,303
<b>Total current liabilities</b>		<b>45,048</b>	<b>24,979</b>
<b>Total liabilities</b>		<b>45,054</b>	<b>24,979</b>
<b>Net assets</b>		<b>8,589</b>	<b>10,561</b>
Represented by:			
Net asset			
Accumulated surplus		8,589	10,561
<b>Total</b>		<b>8,589</b>	<b>10,561</b>

National Agricultural Marketing Council

## Statement of Financial Performance

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	Notes	2020	2019
<b>Revenue from non-exchange transactions</b>			
Government grants and subsidies	2	45,251	43,239
Sponsorship revenue	2	34,711	40,333
<b>Revenue from exchange transactions</b>			
Rendering of services	2	1,045	582
Interest income	2	1,879	6,315
<b>Gross Revenue</b>		<b>82,886</b>	<b>90,469</b>
<b>Expenses</b>		<b>(84,858)</b>	<b>(88,993)</b>
Administrative expenses	5	(7,068)	(5,969)
Operating expenses	6	(21,010)	(33,727)
Depreciation and amortisation	4	(7,594)	(924)
Personnel expenditure	3	(49,181)	(48,361)
Finance costs		(5)	(12)
Profit/(Loss) on disposal of property, plant & equipment and investments property	6.2	-	(227)
Loss on write-down of inventory	6.2	-	(42)
<b>Surplus from operating activities</b>		<b>(1,972)</b>	<b>1,207</b>
<b>Surplus for the year</b>		<b>(1,972)</b>	<b>1,207</b>
<b>(Deficit) / surplus for the year attributable to:</b>			
Owners of the controlling entity		(1,972)	1,207
<b>(Deficit) / surplus for the year</b>		<b>(1,972)</b>	<b>1,207</b>

National Agricultural Marketing Council

## Statement of Changes in Net Assets

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	Accumulated surplus	Total
<b>Balance at 1 April 2018</b>	9,354	9,354
<b>Changes in net assets</b>		
Surplus for the period	1,207	1,207
<b>Balance at 1 April 2019</b>	<b>10,561</b>	<b>10,561</b>
<b>Changes in net assets</b>		
Deficit for the period	(1,972)	(1,972)
<b>Balance at 31 March 2020</b>	<b>8,589</b>	<b>8,589</b>

National Agricultural Marketing Council

## Statement of Cash Flows

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	Notes	2019	2018
<b>Cash flows (used in) / from operating activities</b>			
<b>Cash receipts from grants or transfers and other appropriations or other budget authority made by national government and other entities</b>		<b>68,430</b>	<b>103,942</b>
Project receipts		21,989	58,177
Cash receipts from royalties, fees, commissions and other revenue		1,190	2,526
Cash receipts from grants or transfers		45,251	43,239
<b>Cash payments to suppliers and employees</b>		<b>(76,886)</b>	<b>(144,927)</b>
Cash payments to suppliers for goods and services		(17,611)	(13,189)
Cash payments to suppliers for goods and services- projects		(10,201)	(29,894)
Cash returned to National Treasury		-	(53,477)
Cash payments to and on behalf of employees		(35,480)	(35,942)
Cash payments to and on behalf of employees - projects		(13,594)	(12,425)
<b>Net cash flows used in operations</b>	<b>7</b>	<b>(8,456)</b>	<b>(40,985)</b>
Interest received		1,820	6,315
Insurance proceeds		27	2
<b>Net cash flows (used in) / from operating activities</b>		<b>(6,609)</b>	<b>(34,668)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	11	(2,012)	(8,548)
Purchase of intangible assets	13	-	(334)
<b>Cash flows used in investing activities</b>		<b>(2,012)</b>	<b>(8,882)</b>
<b>Cash flows used in financing activities</b>			
Finance lease payments		(80)	(110)
Finance costs		(5)	(12)
<b>Cash flows used in financing activities</b>		<b>(85)</b>	<b>(122)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(8,706)</b>	<b>(43,672)</b>
Cash and cash equivalents at beginning of period		18,527	62,199
<b>Cash and cash equivalents at end of period</b>	<b>10</b>	<b>9,821</b>	<b>18,527</b>

The cash flow has been prepared on a cash basis.

National Agricultural Marketing Council

## Statement of Comparison of Budget and Actual Amounts

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	Approved budget	Virement	Final budget	Actual amount on comparative basis	Difference between final budget and actual	Var. %	Reference
<b>Revenue</b>							
<b>Revenue from non-exchange transactions</b>							
Government grants and subsidies	45,251	-	45,251	45,251	-	%	
Other income/sponsorship utilised	-	-	-	34,711	34,711	100 %	24.1.1.1
<b>Revenue from exchange transactions</b>							
Rendering of services	-	-	475	1,045	570	120 %	24.1.1.2
Interest	-	-	819	1,879	1,060	129 %	24.1.1.3
<b>Total revenue</b>	<b>45,251</b>	<b>-</b>	<b>46,545</b>	<b>82,886</b>	<b>36,341</b>	<b>78 %</b>	<b>24.1.1</b>
<b>Expenses</b>							
Personnel expenditure	32,315	-	32,315	35,586	(3,271)	-10 %	24.1.2
Personnel expenditure (NRMDP Project)	-	-	-	13,595	(13,595)	-100 %	24.1.2
Administration expenses	10,627	-	10,627	5,978	4,649	44 %	24.1.3
Administration projects	-	-	-	1,090	(1,090)	-100 %	24.1.3
Operating expenses	2,283	-	2,283	10,044	(7,761)	-340 %	24.1.4
Operating expenses (Projects)	-	-	-	10,966	(10,966)	-100 %	24.1.4
Depreciation and amortisation	-	1,800	1,800	7,594	(5,794)	-322 %	24.1.5
Finance costs	26	-	26	5	21	81 %	
<b>Total expenses</b>	<b>45,251</b>	<b>1,800</b>	<b>47,051</b>	<b>84,858</b>	<b>(37,807)</b>	<b>-80 %</b>	
<b>(Deficit) / surplus before tax</b>	<b>-</b>	<b>(1,800)</b>	<b>(506)</b>	<b>(1,972)</b>	<b>(1,466)</b>		



National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### 1. Accounting Policies

The following are the principal accounting policies of the National Agricultural Marketing Council, which are in all material respects, consistent with those applied in the previous year. The historical cost convention has been used. The financial statements have been prepared on a going concern basis.

#### 1.1 Reporting institution

The National Agricultural Marketing Council (“NAMC”) is an entity domiciled in South Africa. The address of the NAMC’s registered office is 536 Francis Baard Street, Arcadia, Pretoria, 0002. The NAMC’s primary business is to provide strategic advice to the Minister of Department of Agriculture, Land Reform and Rural Development and directly affected groups in the agricultural sector. The full responsibilities of the NAMC are contained in the Marketing of Agricultural Products Act of 1996, as amended by Act no. 59 of 1997 and Act no. 52 of 2001.

#### 1.2 Functional and presentation currency

The financial statements are presented in South African Rand which is the entity’s functional currency. All financial information has been rounded to the nearest thousand.

#### 1.3 Basis of preparation

The financial statements have been prepared in accordance with Section 55(1) of the Public Finance Management Act, (Act No 1 of 1999) and the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

#### 1.4 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

##### *Effective interest rate*

The NAMC uses an appropriate interest rate, taking into account guidance provided in the accounting standard and applying professional judgement to the specific circumstances, to discount cash flows.

Note 23. Significant estimates and judgement made by management

##### *Trade and other receivables*

The NAMC assesses its trade receivables and other receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the NAMC makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade and other receivables is calculated on a portfolio basis and all debts over three months old, where payments are not being received, are impaired.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### ***Useful lives of property, plant and equipment, and intangible assets***

The NAMC determines the estimated useful lives and related depreciation charges for property, plant and equipment, and intangible assets. This estimate is based on the condition and use of the individual assets in order to determine the remaining period over which the asset can and will be used.

### ***Impairment testing***

The NAMC reviews and tests the carrying value of assets when the events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared.

### ***Adequacy of the leave pay accruals***

The leave pay accrual is based on the actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year.

## **1.5 Revenue recognition**

### ***Revenue from exchange transactions***

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished and directly gives approximate equal value primarily in the form of cash, goods, services or use of assets to the other party in exchange. The entity's revenue from exchange transactions comprises of interest generated from investments, management fees and rental income from investment property. The management fees recognised in the statement of financial performance is based on the stage of completion of the project, that is, project cost incurred to date as a percentage of total project cost multiplied by the total management fee.

### **Recognition**

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

### **Measurement**

Revenue from exchange transaction is measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Interest income**

Interest income comprises interest on funds invested. Interest income is recognised on a time proportion basis using the effective interest method.

### ***Revenue from non-exchange transactions***

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### Subsequent Measurement

Revenue from exchange transaction is subsequently assessed the probability of collecting revenue when accounts falls into arrears, the probability assesment test results will be disclosed as impairment of receivables.

### Recognition

Grants, transfers and donations received or receivable are recognised as revenue when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of the related conditions.

### Measurement

Revenue from non-exchange transactions are measured at the cost of asset received or receivable, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised in full when the asset is recognised, at an amount equalling the cost of the asset received.

Interest earned on investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the payables.

### 1.6 Finance cost

Finance cost comprises of interest expense on borrowings and finance lease liabilities. All borrowing costs are recognised in surplus or deficit using the effective interest method.

### Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

- The Public Finance Management Act, Act 1 of 1999;
- The State Tender Board Act, 1968 (Act No. 86 of 1968) or any regulations made in terms of that Act, or
- Contravention of the entity's supply chain management policy.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure are recognised as expenditure in the statement of financial performance in the period in which they are incurred, and where recovered, are subsequently accounted for as revenue in the statement of financial performance.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets which are held for use in the production or supply of goods and services or for rental to others or for administrative purposes and are expected to be used during more than one financial period.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### Recognition

An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably. Cost includes expenditure that is directly attributable to bringing asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

Tangible non-current assets are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions.

### Initial Measurement

Tangible non-current assets are initially measured at cost. Where an asset is acquired through a non- exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

### Subsequent Measurement

Tangible non-current assets are subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. These assets are depreciated on the straight-line basis at rates which will result in each asset being written off over its useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term, then it is depreciated over its useful life and not the lease term.

### Residual values

The residual value of an asset is the estimated amount that could currently be obtained from the disposal of an asset, after deducting the estimated costs of disposal, if the asset was already at the age and in the condition expected at the end of its useful life.

### Depreciation

Depreciation is determined using the straight-line method. It is calculated based on the assets' historical cost less residual value, over the useful life of the asset.

The estimated remaining useful lives, residual values and depreciation methods are reviewed at the end of each financial year and adjusted if necessary. The estimated useful lives of property, plant and equipment are:

Asset class	Estimated useful life in years
Leasehold improvements	3 - 13 years
Motor vehicles	5 - 10 years
Fixtures and fittings	6 - 26 years
Office equipment	4 - 26 years
Computer equipment	3 - 18 year
Leased office equipment	2 - 3 years
Farming equipment	3 - 12 years

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### ***Subsequent cost***

The cost of replacing part of an item of property, plant and equipment is recognised when it is probable that the future economic benefits or service potential associated with the item will flow to the entity and its cost or fair value can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised as expenditure in the statement of financial performance.

Leasehold improvements are capitalised as the entity controls the assets for the lesser of useful life or period of the lease.

Project assets are capitalised for the lesser of useful life or the period of the contract.

### ***Derecognition***

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the Statement of Financial Performance in the year it is derecognised.

#### **1.7.1 Construction Work-in-Progress**

Construction Work-in-Progress (WIP) is a non-current asset account in which the costs of constructing long-term assets are recorded. The Construction Work-in-Progress account will have a debit balance and is reported on the statement of financial position as part of the entity's Property, Plant and Equipment.

The construction WIP includes materials, labour and overhead costs that are either directly related or allocated to the construction or development of assets.

The costs of a constructed asset are accumulated in the Construction Work-in-Progress account until the asset is available for use. When the asset is completed and available for use, the Construction Work-in-Progress account will be transferred with the accumulated costs of the asset and recognised to the appropriate Property, Plant and Equipment account. Depreciation is charged when the asset is available for use. The Construction Work-in-progress is disclosed under note 11 of these financial statements.

#### **1.8 Investment property**

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of operations.

### **Recognition**

Investment property shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- (b) the cost or fair value of the investment property can be measured reliably.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### Initial Measurement

An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement).

Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The entity investment properties are accounted for at the fair value of the asset received on transaction date.

### Subsequent measurement

After initial recognition, the entity uses the cost model to measure all of its investment property in accordance with GRAP 16.

Investment property are subsequently measured at cost less any subsequent accumulated depreciation and any accumulated impairment losses. These assets are depreciated on the straight-line basis at rates which will result in each asset being written off over its useful life.

### Depreciation

Depreciation is determined using the straight-line method. It is calculated based on the assets' historical cost less residual value, over the useful life of the asset.

Asset class	Estimated useful life in years
Land	Infinite
Building	20 years

### Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position):

- (a) on disposal (including disposal through a non-exchange transaction) or;
- (b) when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in surplus or deficit in the period of the retirement or disposal.

### 1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

Gains and losses on disposal of intangible assets are determined by comparing the net proceeds from disposal with the carrying amount of intangible asset, and are recognised within the surplus or deficit.

The amortisation period and amortisation method for intangible assets finite useful life are reviewed at the end of each reporting period.

Amortisation is provided to write down the intangible assets on a straight-line basis over their useful lives from the date that they are available for use as follows:

Item	Estimated useful life in years
Computer software	3 - 13 years

The amortisation of intangible assets is disclosed in the statement of financial performance as part of the depreciation and amortisation line item.

### 1.9 Impairment

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the recoverable amount of the relevant asset is estimated.

A cash-generating asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the cash-generating asset's fair value less costs to sell and its value in use.

The recoverable amount is determined for individual assets, unless it is not possible to estimate the recoverable amount of the individual assets, an entity shall determine the recoverable amount of the cash generating unit to which the asset belongs the asset generates cash inflows that are largely dependent on other assets or groups of assets. In this case the recoverable amount for the cash-generating unit is determined.

Value in use is the present value of the asset's remaining future cash flows that the entity expects to derive from the continuing use of the asset and from its disposal at the end of its useful life. The estimate of these cash flows is based on the asset's current condition, and by applying an appropriate discount rate.

If there is an indication that an individual asset may be impaired, an impairment loss is recognised immediately in surplus or deficit when the asset's recoverable amount is less than the carrying amount. The impairment loss is recognised by reducing the asset's carrying amount to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in statement of financial performance.

#### ***Impairment of non- cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets. At each reporting date, the entity reviews by considering the internal and external factors whether there is an indication that a non- cash generating asset may be impaired. If any such indication exists, the recoverable service amount of the asset is estimated.



National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

A non-cash-generating asset will be impaired when its carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use is the present value of the asset's remaining service potential. This is determined using one of three approaches: depreciated replacement cost, restoration cost or service units. The choice of the most appropriate approach depends on the availability of data and the nature of the impairment.

### 1.10 Leases

#### Operating leases as the lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to statement of financial performance on a straight-line basis over the term of the relevant lease.

#### Finance leases as the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

#### Finance lease liabilities

Finance lease liabilities are initially recognised at the commencement of the lease term at the fair value of the leased asset, or the present value of the minimum lease payments (if lower). The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If it is not practicable to determine the interest rate implicit in the lease payments, the incremental borrowing rate of the entity will be used in the calculation.

Subsequent to initial measurement, the outstanding lease liability is periodically reduced over the lease term by that portion of the minimum lease payments exclusive of interest that will result in finance charges being allocated over the lease term at a constant periodic interest rate on the remaining balance of the liability.

### 1.11 Financial instruments

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest in accordance with the substance of the contractual arrangement.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### **Initial recognition**

Financial assets and liabilities are recognised in the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at cost.

The entity recognises financial assets using trade date accounting.

### **Measurement**

#### ***Finance assets***

The entity's financial assets comprise trade and other receivables and cash and cash equivalents. These financial assets are classified as financial assets at amortised cost.

Subsequent to initial recognition, non-derivative financial assets are measured as described below:

#### ***Trade and other receivables***

Trade and other receivables are measured at cost.

Short term receivables are not to be discounted to present values if the original credit period granted are in line with the public-sector credit period

#### ***Cash and cash equivalents***

For purposes of the cash flow statement as well as the statement of financial position, cash and cash equivalents comprise cash on hand, deposits held and other short-term investments, highly liquid investment that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are stated at cost.

#### ***Finance liabilities***

The entity's financial liabilities comprise of trade and other payables and finance lease liabilities. Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### ***Trade and other payables***

The entity's principal trade and other payables relates to the amount owed to the suppliers and levies paid to municipality.

Trade and other payables are initially measured at cost plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at cost/amortised cost which relates to finance leases, using the effective interest rate method. Interest expenses on these items are recognised in surplus or deficit and they are included in 'finance costs'.

The entity's accrual amount represents goods and services that have been delivered, and an invoice has been received from the supplier but remain unpaid as at year-end.

Short-term payables are not discounted to present values if the original credit period granted are in line with the public-sector credit period.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### ***Finance income, gains and losses***

Finance income is recognised using the effective interest method with gains and losses recognised in the statement of financial performance (surplus or deficit).

Finance income includes interest earned on deposits and short terms investments. Finance cost includes interest on finance lease liabilities.

### **Method and significant assumptions in determining fair value**

Fair values of financial assets, non-financial assets and liabilities have been determined for measurements and / or disclosure purposes based on the methods indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

The fair value of trade and other receivables is calculated as the present value of future cash flows, discounted at a market rate of interest at the reporting date.

Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### **Offsetting**

The entity does not offset financial assets, financial liabilities and revenue and expenses in the statement of financial performance and position.

### **Derecognition of financial instruments**

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

### **1.12 Provisions**

A provision is a liability of uncertain timing or amount.

Provisions are recognised when the entity has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. The unwinding of the discount is recognised as finance cost.

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### Measurement

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount is recognised as finance cost. Where some or all of the expenditure required to settle provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

### 1.13 Inventories

The entity's inventory consist of Stationery and Animal feed

#### Initial recognition

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and that the cost of the inventories can be measured reliably.

#### Measurement at recognition

Inventories that qualify for recognition as assets shall initially be measured at cost. Where inventories are acquired through a non-exchange transaction, they shall be measured at fair value as at the date of acquisition.

#### Measurement after recognition

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- Distribution through a non-exchange transaction, or
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

When inventories are issued, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised, and the inventory is derecognised.

Redundant and slow-moving inventories are identified and written down from cost to current replacement cost with regard to their estimated economic or realisable values and the write-down or reversal is recognised against the expense.

The amount of any reversal of any write-down of inventories, arising from an increase in current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of inventories, shall be assigned using the weighted average cost formula.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### 1.14 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Related party transactions are transactions that involve the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The remuneration of the Council members and senior managers are disclosed under notes 3, 14 and 15 of the annual financial statements.

### 1.15 Commitments

Commitments represent the orders issued to the suppliers that have been approved, but where no delivery has taken place as at year end and commitment for contracts signed with the service providers, of which as at 31 March the contracts had not expired.

### 1.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are beyond the control of the entity.

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### 1.17 Employee benefit cost

#### **Short-term employee benefits**

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of financial performance in the reporting period that they are incurred.

#### **Accrual for leave pay**

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is based on the total cost to company is raised for estimated liabilities as a result of services rendered by employees up to the reporting date.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### Post-employment benefits

#### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The entity operates defined contribution retirement benefit plans for its employees.

Payments to defined contribution plan are charged as an expense as they fall due in the statement of financial performance and they represent the contribution paid to these plans by the entity at a rate specified by the entity's policy.

#### *Termination benefits*

A liability for termination benefit is recognised at the earlier of when the offer can no longer be withdrawn and when the related restructuring costs are recognised.

Information in respect of post employment benefit plan is disclosed under note 3 of the financial statements.

#### 1.18 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in a separate statement of comparison of budget and actual amounts. Material budget differences and the basis of budget preparation are as per disclosure note 24 of these annual financial statements.

#### 1.19 Comparative figures

Where necessary comparative figures have been adjusted to conform to changes in presentation in the period under review. The nature and reason for such reclassifications and restatements are also disclosed in the notes where applicable.

#### 1.20 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events. Where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### 1.21 Segment reporting

The segment reporting standard requires entities to present more specific and detailed information about the major activities undertaken by an entity during a particular period, along with the resources allocated to those activities, to enable users of the financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environment in which it operates.

Segments information and reports are disclosed under note 25 of the annual financial statements.

### 1.22 Effects of new GRAP standards

At the date of authorisation of these financial statements, the following accounting Standards of Generally Recognised Accounting Practice (GRAP) were approved, but not yet effective:

GRAP	Disclosure	Nature	Impact
GRAP 38	Disclosure of Interest in Other Entities	The standard prescribes the disclosure requirements of Interest in Other Entities	No impact
GRAP 110	Living and Non-living resources	The standard prescribes the accounting treatment, recognition and disclosure requirement of Living and Non-living resources	No Impact
GRAP 34	Separate financial statements	The standard prescribes the accounting treatment and disclosure requirement of separate financial statements	No impact
GRAP 35	Consolidated financial statements	The standard prescribes the principles for the presentation and preparation of consolidated financial statements	No impact
GRAP 36	Investment in associates and joint ventures	The standard prescribes the accounting treatment and requirements for the application of equity method when accounting for investment in associates and joint ventures	No impact
GRAP 37	Joint arrangements	The standard prescribes the principles for financial reporting by entities that have an interest in the arrangements that are controlled jointly	No impact

The effective date of the above standards is not yet determined by the Minister of Finance. The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements.



National Agricultural Marketing Council

## Accounting Policies

Audited Financial Statements for the year ended 31 March 2020

### 1.23 Standards effective and adopted in the current period

In the current period the entity has adopted the following standards that are effective for the current period

GRAP	Disclosure	Nature	Impact	Reference
GRAP 109	Accounting for Principals and Agents	The standard prescribes the Accounting treatment, recognition and disclosure requirement of principals and agents transactions	No material impact as this was disclosed in the prior years	Note 19
IGRAP 18	Recognition and Derecognition of Land	The standard prescribes the accounting treatment recognition and disclosure requirement of land	No impact as this has been applied in the prior year	Note 12
IGRAP 19	Liabilities to pay levies	The standard prescribes the timing and recognition of liabilities to pay levies	No impact as this has been applied in the prior year	Note 1.11
GRAP 20	Related parties	The standard prescribes disclosure requirements for related parties transactions	No impact as this has been applied in the prior years	Note 14;15 & 22

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
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### 2. Revenue

#### 2.1 Revenue from exchange transactions consists of the following amounts

Management fee for rendering of services	1,045	582
Interest income	1,879	6,315
	<b>2,924</b>	<b>6,897</b>

Interest income is generated through investment of surplus funding.

The proceeds from insurance prior and current year has been reclassified as gains and losses on nonmonetary assets under note 6.2.

#### 2.1.1 Management fee for rendering of services

The amount included in rendering of services arose from exchange transactions of R1,044,931 (2019: R581,357) relating to Vineyard Development Scheme, National Redmeat Development Project, Supply Chain Logistic Programme and Ceres abattoir projects.

#### 2.2 Revenue from non-exchange transactions consists of the following amounts

Department of Agriculture, Land Reform and Rural Development - MTEF Allocation	45,251	43,239
Other income/sponsorship utilised	34,711	40,333
	<b>79,962</b>	<b>83,572</b>

### 3. Personnel expenditure

Personnel expenditure is analysed as follows:

Non-management	34,843	33,957
Basic salaries	22,920	25,137
Performance bonuses	-	3,022
Other non-pensionable allowance	1,065	1,198
Leave payments on resignation	52	16
UIF	278	371
Other salary related cost	344	429
Pension: Post employment benefits	2,759	3,784
Settlement agreement amount paid	7,425	-
Senior management remuneration	Note 15 12,990	13,270
Council members' remuneration	Note 14 1,348	1,134
<b>Total personnel expenditure</b>	<b>49,181</b>	<b>48,361</b>

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

**Figures in R `000**
**2020**
**2019**

#### 4. Depreciation and amortisation

Depreciation and amortisation is analysed as follows:

**Depreciation**

Property, plant and equipment

<b>7,454</b>	<b>718</b>
7,454	718

Amortisation

140	206
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Intangible assets

140	206
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**Total depreciation and amortisation**

<b>7,594</b>	<b>924</b>
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#### 5. Administrative expenses

Administrative expenses consist:

General administrative expenses

650	814
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Printing and stationery

719	679
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Audit committee fees

695	565
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Audit fees: External

1,379	784
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Internal audit fees

1,124	229
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Bank charges

68	107
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IT costs

1,333	1,196
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Promotions and publicity

5	2
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Refreshments and catering

183	168
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Training and development

912	1,425
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<b>7,068</b>	<b>5,969</b>
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National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
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### 6. Operating expenses

#### 6.1 Operating expenses consist:

Rentals in respect of operating lease	2,823	2,913
Levy	309	293
Municipal charges	1,503	1,453
Communication costs	183	251
Project expenses	10,966	23,442
Section 7 Committees and Consultancy	1,227	655
Computer consumables	6	17
Courier and delivery charges	33	23
Maintenance, repairs and running costs	94	93
Research & workshops	791	1,457
Travel and subsistence	3,075	3,130
<b>Total other expenses</b>	<b>21,010</b>	<b>33,727</b>

#### 6.2 Gains or losses on net non-monetary position consist:

Gain/losses on disposal of assets Proceeds from insurance	-	227
Gain/losses on write-down of inventories	-	42
<b>Total</b>	<b>-</b>	<b>269</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
<b>7. Reconciliation of (deficit)/surplus for the year to net cash flows from operating activities</b>		
<b>Deficit for the year</b>	(1,972)	1,207
<b>Adjustments to reconcile deficit</b>		
Adjustments for finance income	(1,820)	(6,315)
Adjustments for finance costs	5	12
Adjustments for decrease in inventories	1,137	518
Adjustments for increase in trade accounts receivable	(33,829)	48,634
Adjustment for inventory donation received	-	-
Adjustments for decrease in other receivables	273	(256)
Adjustment for decrease or increase in trade accounts payable	(435)	(367)
Adjustments for increase in deferred income	20,591	(85,611)
Adjustments for depreciation and amortisation expense	7,594	924
Adjustments for gains and losses on disposal of noncurrent assets	-	269
<b>Total adjustments to reconcile deficit</b>	<b>(6,484)</b>	<b>(42,192)</b>
<b>Net cash flows from operations</b>	<b>(8,456)</b>	<b>(40,985)</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
<b>8. Inventories</b>		
<b>The balances of inventories are as follows:</b>		
Consumable stores	15	22
Inventory on hand ("Animal feed")	80	1,210
	<b>95</b>	<b>1,232</b>
<b>Total current inventories</b>	<b>95</b>	<b>1,232</b>

Inventories were not pledged as security for liabilities.

The amount of any write-down of inventories to current replacement cost and all losses of inventories shall be recognised as an expense in the period in which the write down or loss occurs.

<b>Inventories expenditure recognised in the statement of financial performance</b>	<b>12,720</b>	<b>11,352</b>
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The inventory purchase is recognised in the statement of financial performance as and when inventories are issued.

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
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### 9. Receivables from non-exchange transactions

#### 9.1 Receivables from non-exchange transactions comprise:

Receivables from non-exchange transactions	34,071	242
<b>Total current receivables</b>	<b>34,071</b>	<b>242</b>

The receivables are mainly for non-exchange transactions raised towards end of the financial year relating to AgriSeta, National Red Meat Development project funded by Department of Agriculture, Land Reform and Rural Development. The receivables were assessed for impairment and none were impaired, as major part of receivables are contractual.

#### 9.2 Receivables from exchange transactions comprise:

Prepayments	64	337
Deposits	251	251
	<b>315</b>	<b>588</b>
Less non-current portion	(251)	(251)
<b>Total current receivables</b>	<b>64</b>	<b>337</b>

#### 9.3 Items included in Receivables from exchange transactions not classified as financial instruments

Prepayments	64	337
<b>Total non-financial instruments included in trade and other receivables</b>	<b>64</b>	<b>337</b>

The prepayments mainly relates to annual license fee for Sage Pastel Evolution.

<b>Financial assets that are not past due</b>	<b>34,147</b>	<b>77</b>
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National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
<b>10. Cash and cash equivalents</b>		
<b>10.1 Cash and cash equivalents comprise:</b>		
<b>Cash</b>		
Cash on hand	1	2
Balances with banks	9,820	18,525
Total cash	9,821	18,527
<b>Total cash and cash equivalents included in current assets</b>	<b>9,821</b>	<b>18,527</b>
<b>Net cash and cash equivalents</b>	<b>9,821</b>	<b>18,527</b>

Cash and cash equivalents comprise cash and short-term highly liquid investments, that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The cash held by the entity as at year end mainly relates to unutilised conditional grants as disclosed under note 19 of the annual financial statements.

# Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

## 11. Property, plant and equipment

Balances at year end and movements for the year

Figures in R '000	Leasehold improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Leased office equipment	Farming equipment	Operational Buildings	Total
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### Reconciliation for the year ended 31 March 2020

#### Balance at 1 April 2019

At cost	1,340	1,072	1,159	493	2,143	148	441	17,976	24,772
Accumulated depreciation	(1,259)	(572)	(900)	(262)	(1,371)	(144)	(93)	(7,319)	(11,920)
<b>Carrying amount</b>	<b>81</b>	<b>500</b>	<b>259</b>	<b>231</b>	<b>772</b>	<b>4</b>	<b>348</b>	<b>10,657</b>	<b>12,852</b>

### Movements for the year ended 31 March 2020

Additions other than through business combinations	-	-	-	-	300	10	-	1,702	2,012
Depreciation	(41)	(64)	(57)	(59)	(606)	(3)	(321)	(6,267)	(7,418)
Disposals	-	-	-	-	(7)	-	-	(20)	(27)
<b>Property, plant and equipment at end of period</b>	<b>40</b>	<b>436</b>	<b>202</b>	<b>172</b>	<b>459</b>	<b>11</b>	<b>27</b>	<b>6,072</b>	<b>7,419</b>

### Closing balance at 31 March 2020

At cost	1,340	1,072	1,159	493	2,361	158	441	19,606.	26,630
Accumulated depreciation	(1,300)	(636)	(957)	(321)	(1,902)	(147)	(414)	(13,534)	(19,211)
<b>Gross carrying amount</b>	<b>40</b>	<b>436</b>	<b>202</b>	<b>172</b>	<b>459</b>	<b>11</b>	<b>27</b>	<b>6,072</b>	<b>7,419</b>

The entity's obligations under finance leases are secured by the lessor's title to the leased assets, which have a carrying amount of R11,000.00. The entity is not allowed to pledge these assets as security for borrowings or sell them to another entity.

Included in the gross carrying amount as at 31 March 2020 are the assets relating to National Red Meat Development Project of which the carrying amount is R6,348,000.00. Part of the carrying amount is relating to unfinished constructions (WIP) amounting to R3,483,000.00).

National Agricultural Marketing Council

# Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

During the period under review, it was identified that the 2018/19 closing balance on note had casting errors which were corrected, this correction did not have any impact on the carrying amount of the assets disclosed.

## Repairs and maintenance

A total amount of R86,952.00 has been spent on repairs and maintenance on assets under leasehold improvements, computer equipment, furniture and motor vehicles.

Figures in R `000	Leasehold improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Leased office equipment	Farming equipment	Operational Buildings	Total
	1,293	1,072	1,062	328	1,731	148	88	11,431	17,153
	(1,238)	(475)	(826)	(215)	(1,268)	(94)	(77)	(7,708)	(11,901)
	<b>55</b>	<b>597</b>	<b>236</b>	<b>113</b>	<b>463</b>	<b>54</b>	<b>11</b>	<b>3,723</b>	<b>5,252</b>

## Reconciliation for the year ended 31 March 2019

### Balance at 1 April 2018

At cost	47	-	100	166	530	-	353	7,352	8,548
Accumulated depreciation	(21)	(97)	(75)	(48)	(216)	(50)	(16)	(194)	(717)
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>(231)</b>
	<b>81</b>	<b>500</b>	<b>259</b>	<b>231</b>	<b>772</b>	<b>4</b>	<b>348</b>	<b>10,657</b>	<b>12,852</b>

## Movements for the year ended 31 March 2019

Additions other than through business combinations									
Depreciation									
Disposals									
<b>Property, plant and equipment at end of period</b>	<b>81</b>	<b>500</b>	<b>259</b>	<b>231</b>	<b>772</b>	<b>4</b>	<b>348</b>	<b>10,657</b>	<b>12,852</b>

## Closing balance at 31 March 2020

At cost	1,340	1,072	1,159	493	2,143	148	441	17,976	24,772
Accumulated depreciation	(1,259)	(572)	(900)	(262)	(1,371)	(144)	(93)	(7,319)	(11,920)
<b>Gross carrying amount</b>	<b>81</b>	<b>500</b>	<b>259</b>	<b>231</b>	<b>772</b>	<b>4</b>	<b>348</b>	<b>10,657</b>	<b>12,852</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

The entity's obligations under finance leases are secured by the lessor's title to the leased assets, which have a carrying amount of R4,000.00. The entity is not allowed to pledge these assets as security for borrowings or sell them to another entity.

A total amount of R67,982.00 has been spent on repairs and maintenance on assets under leasehold improvements, computer equipment, furniture and motor vehicles.

### 12. Investment property

#### Balances at year end and movements for the year: 2020

Reconciliation for the year	Land	Building	Total
<b>Balance at start of year</b>			
At cost	550	1,200	1,750
Accumulated depreciation	-	(27)	(27)
<b>Gross carrying amount</b>	<b>550</b>	<b>1,173</b>	<b>1,723</b>
Depreciation	-	(36)	(36)
<b>Investment property at end of period</b>	<b>550</b>	<b>1,137</b>	<b>1,687</b>
<b>Closing balance at end of year</b>			
At fair value	-		
At cost	550	1,200	1,750
Accumulated depreciation	-	(63)	(63)
<b>Carrying amount</b>	<b>550</b>	<b>1,137</b>	<b>1,687</b>

For the period under review, no items of investment property were pledged as security for liabilities.

No repairs and maintenance expense were incurred on the entity's investment properties during the period under review.

Rental income of R228,000.00 was receivable, this includes amount owed as at end of previous financial year and as at year end 2019/20 an amount of R52,394.47 was paid. An amount of R123,461.81 was impaired as the probability of collection is estimated to be less than 50%.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

### 13. Intangible assets

#### Reconciliation of changes in intangible assets

	Computer Software	Computer Software NRMDP	Total
<b>Reconciliation for the year ended 31 March 2020</b>			
<b>Balance at 1 April 2019</b>			
At cost or revaluation	1,061	89	1,150
Accumulated amortisation	(691)	(84)	(775)
<b>Net carrying amount</b>	<b>370</b>	<b>5</b>	<b>375</b>
<b>Movements for the year ended 31 March 2020</b>			
Amortisation	(138)	-	(138)
Intangible assets at end of period	232	4	235
<b>Closing balance at 31 March 2020</b>			
At cost or revaluation	1,061	89	1,150
Accumulated amortisation	(829)	(85)	(915)
<b>Carrying amount</b>	<b>232</b>	<b>4</b>	<b>235</b>

No intangible assets were pledged as security for liabilities.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

	Computer Software	Computer Software NRMDP	Total
<b>Reconciliation for the year ended 31 March 2019</b>			
<b>Balance at 1 April 2018</b>			
At cost or revaluation	748	89	837
Accumulated amortisation	(508)	(84)	(592)
<b>Carrying amount</b>	<b>240</b>	<b>5</b>	<b>245</b>
<b>Movements for the year ended 31 March 2019</b>			
Other acquisitions	334	-	334
Amortisation	(204)	-	(204)
<b>Intangible assets at end of period</b>	<b>370</b>	<b>5</b>	<b>375</b>
<b>Closing balance at 31 March 2019</b>			
At cost or revaluation	1,061	89	1,150
Accumulated amortisation	(691)	(84)	(775)
<b>Carrying amount</b>	<b>370</b>	<b>5</b>	<b>375</b>

No intangible assets were pledged as security for liabilities.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

### 14. Council members' emoluments

	Fees for Services	Total 2020	Total 2019
<b>Members Name</b>			
Prof. PK Chauke: Chairperson ( Contract terminated in May 2019)	10	10	150
Mr JH Prinsloo: Vice-Chairperson	160	160	80
Mr S Faku-Resigned in October 2019	113	113	120
Mrs F Mkile	181	181	99
Mr HT Mohane	142	142	106
Ms N. Mokose	201	201	184
Mr B Mogatle	116	116	58
Dr D Rangaka	170	170	104
Mr GM Schutte	181	181	179
Mr ZW Wapi-Resigned in December 2019	74	74	54
<b>Total</b>	<b>1,348</b>	<b>1,348</b>	<b>1,134</b>

### Remuneration paid to Audit and Risk Committee members

Chairperson: P Slack- Term came to an end in August 2018	-	28
Member:AR Ngwenya: Term came to an end in September 2018	-	85
Dr P Dala: Chairperson of Risk Management Committee and Audit & Risk Committee member	295	219
Ms AP Mafuleka	113	90
Ms L Mothae: Chairperson of Audit & Risk Committee	287	143
	<b>695</b>	<b>565</b>

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

### 15. Senior managers' emoluments

	Basic salary	Allowances	Performance bonus	Pension contribution payments	UIF	Termination payout	Total 2020	Total 2019
<b>Mr Z Xalisa - Chief Executive Officer: Mutual termination agreement reached in February 2020</b>	1,561	-	-	222	2	1,420	3,205	2,487
<b>Ms F Netili - Chief Financial Officer</b>	1,468	-	-	209	2	-	1,679	1,953
Mr Schalk Burger - Senior Manager – Statutory Measures	1,168	-	-	174	2	-	1,344	1,588
Mr B. Nyhodo: Senior Manager - Agricultural Trusts	1,168	-	-	167	1	-	1,336	1,516
<b>Ms V. Nkobi - Senior Manager: Human resources</b>	1,173	-	-	167	2	-	1,342	1,516
Dr. S Ngqangweni - Senior Manager MERC: Acting CEO (02/10/2019-31/03/2020)	1,162	221	-	172	2	-	1,557	1,516
<b>Mrs KC Mosoma - Senior Manager – Agribusiness Development</b>	1,168	-	-	167	2	-	1,337	1,516
Mr T Marishane - Compliance and Risk Manager	603	-	-	86	1	-	690	615
Ms Van der Walt - Legal Manager: Resigned December 2018	-	-	-	-	-	-	-	506
Mrs E Mpete - Legal Manager: resigned in November 2019	439	-	-	60	1	-	500	57
	<b>9,910</b>	<b>221</b>	<b>-</b>	<b>1,424</b>	<b>15</b>	<b>1,420</b>	<b>12,990</b>	<b>13,270</b>



National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
<b>16. Finance lease obligation</b>		
<b>16.1 Finance lease obligation is analysed as follows:</b>		
Finance lease obligations:		
Leased equipment	26	65
	<b>26</b>	<b>65</b>
Non-current liabilities	6	0
Current liabilities	20	65
	<b>26</b>	<b>65</b>
<b>16.2 Finance lease obligations - lease payment reconciliations</b>		
<b>Gross finance lease obligations - minimum lease payments</b>		
Not later than one year	20	67
Later than one year and not later than five years	6	-
	<b>26</b>	<b>67</b>
Future finance charges on finance lease liabilities	(2)	(3)
Present value of finance lease liabilities	24	64
Present value of finance lease obligations net of impairments	24	64

The National Agricultural Marketing Council has during the period under review made a total contribution of R80,000.00 to finance leases as defined in GRAP13.

The finance lease liability for the entity are photocopying machines. At the inception of the lease the interest rate was estimated at the prime rate. The entity leased photocopiers from Konica Minolta for a period of 36 months.

### Terms and conditions

- i) All the leases are for an agreed period of 24 - 36 months, with an option to renew. ii) The photocopiers are installed and then the contract will continue on a monthly basis until the entity decides to terminate the contract with one month's written notice.
- iii) The contract will be renewed for a period of one year if the entity does not give written notice of cancellation of contract.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2019	2018
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### 17. Operating lease liabilities

#### 17.1 Operating lease liabilities are analysed as follows:

Operating lease liability	40	80
	<b>40</b>	<b>80</b>
Current liabilities	40	80

#### 17.2 Future minimum lease payments

Not later than one year	1,076	3 214
Later than one year and not later than five years	-	1 076
Later than five years	-	-
	<b>1,076</b>	<b>4 290</b>

The operating leases for the entity are for office rental and telephone management system with a lease period of 36 months. The escalation rate for rental of office space is 8% p.a. and no escalation clause for the telephone management system.

Operating expenditure recognised in the statement of financial performance on a straight line basis.	<b>2,822</b>	<b>2 913</b>
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### 18. Payables from exchange transactions

#### Payables from exchange transactions are made up as follows:

Trade creditors	1,207	1 551
Liabilities directly associated with the assets held for sale	-	144
Leave accrual	888	835
<b>Total payables from exchange transactions</b>	<b>2,095</b>	<b>2 530</b>

The leave accrual is calculated by using the daily total cost to company of the employee, multiplied by the leave days due at year end.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

### 20. Deferred Liabilities

#### 20.1 Deferred revenue

Name of project	Opening balance	Amount received/receivable	Amount utilised/Returned	Closing balance
<b>2020</b>				
Strategic Infrastructure Project: SIP 11	84	-	(83)	1
Supply Chain Logistic Programme (Western Cape)	542	-	(38)	504
Agricultural Sector Education, Training Authority (AgriSeta)	154	1,025	(1,090)	89
Smallholder Farming in Agro-processing industry	73	250	(110)	213
Ceres abattoir	2,214	-	(16)	2 198
Operation Phakisa	316	-	(156)	160
National Red Meat Development Programme (NRMDP)	14,369	53,900	(28,979)	39 290
Agricultural Information Management System: (AIMS)	-	-	-	0
Eastern Cape Red Meat Development programme	3,177	-	3,177	-
<b>Total</b>	<b>20,929</b>	<b>55,175</b>	<b>(33,649)</b>	<b>42 455</b>

#### Agent and principal liability

<b>2020</b>				
Vineyard Development Scheme	620	-	(472)	148
Maize Meat Hub Feedlot	244	-	(96)	148
Australian Centre for International Agricultural Research (ACIAR)	510	-	(368)	142
<b>Total</b>	<b>1,374</b>	<b>-</b>	<b>(936)</b>	<b>438</b>

**Total liabilities 2018/2019**

**42,893**

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Name of project	Opening balance	Amount received/receivable	Amount utilised/Returned	Closing balance
<b>2019</b>				
Strategic Infrastructure Project: SIP 11	145	-	(61)	84
Supply Chain Logistic Programme (Western Cape)	73	500	(31)	542
Agricultural Sector Education, Training Authority (AgriSeta)	15	2,156	(2,017)	154
Smallholder Farming in Agro-processing industry	199	-	(126)	73
Ceres abattoir	2,217	-	(3)	2 214
Operation Phakisa	316	-	-	316
National Red Meat Development Programme (NRMDP)	4,130	7,000	(7,953)	3 177
Agricultural Information Management System: (AIMS)	42,958	-	(28,589)	14 369
Eastern Cape Red Meat Development programme	53,477	-	(53,477)	0
<b>Total</b>	<b>103,530</b>	<b>9,656</b>	<b>(92,257)</b>	<b>20 929</b>

Deferred revenue reflects the amount of income received during the current and previous financial years, but which will be utilised in the subsequent years.

### Agent and principal liability

<b>2019</b>				
Vineyard Development Scheme	1,018	-	(398)	620
Maize Meat Hub Feedlot	2,716	-	(2,472)	244
Australian Centre for International Agricultural Research (ACIAR)	649	-	(139)	510
<b>Total</b>	<b>4,383</b>	<b>-</b>	<b>(3,009)</b>	<b>1 374</b>

**Total liabilities 2018/2019**

**22 303**

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

### 19.2 Agent and principal liability

Nature of the relationship

#### 19.2.1 Vineyard Development Scheme

An amount of R620,000.00 was deferred to the statement of financial position in 2018/19 financial year, and no additional amount was received from Northern Cape Department of Agriculture, Land Reform and Rural Development, for the purpose of facilitating the implementation of the Vine Yard Development Scheme in the Northern Cape Province.

An amount of R472,000.00 was utilised, and the balance of R148,000.00 was deferred to the statement of financial position.

#### 19.2.2 Maize Meat Hub Feedlot

The NAMC has entered into a service level agreement with the Department of Rural Development and Land Reform For the Management of the construction of the Maize Meat Hub feedlot in a Elundini Local Municipality with a contract value of R4,9 million. The NAMC act as an agent and the Department is the principal.

#### 19.2.3 Australian Centre for International Agricultural Research (ACIAR)

The NAMC has entered into a service level agreement with the Department of Agriculture, Forestry and Fisheries to identify, modify and develop a wider range of market systems and value chains available for small scale and emerging beef farmers in South Africa. The contract value is R919,000.00. The NAMC act as an agent and the Department is the principal.

## 20. Financial instruments

### Introduction and overview

This note represents information about the entity's exposure to each of the below risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included.

### Risk Management

#### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity has exposure to the following risks from its use of financial instruments:

Credit risk - the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk - the risk that the entity will not be able to meet its financial obligations as they fall due.

Market risk - the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. Market risk comprises interest rate risk, currency risk and other price risk.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Figures in R `000	2020	2019
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The following are the carrying values of the NAMC's financial instruments per category:

	Carrying amount	
	2020	2019
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	9,821	18,527
Receivables from non-exchange transactions	34,322	493
	<b>44,143</b>	<b>19,020</b>
<b>Financial liabilities at amortised cost</b>		
Finance leases	24	65
Payables from non-exchange transactions	2,095	2,530
	<b>2,119</b>	<b>2,595</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

Prepayments are excluded from financial instruments in both financial years

The following table presents the gains or losses per financial instrument category:

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
<b>2020</b>			
Interest income	1,820	-	1,820
Finance costs	-	(5)	(5)
<b>Total</b>	<b>1,820</b>	<b>(5)</b>	<b>1,815</b>
<b>2019</b>			
Interest income	6,315	-	6,315
Finance costs	-	(12)	(12)
<b>Total</b>	<b>6,315</b>	<b>(12)</b>	<b>6,303</b>

*Exposure to risks: Credit risk*

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2020	2019
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	9,821	18,527
Receivables from non-exchange transactions	34,322	493
	<b>44,143</b>	<b>19,020</b>
<b>Financial liabilities at amortised cost</b>		
Finance leases	24	65
Payables from non-exchange transactions	2,095	2,530
	<b>2,119</b>	<b>2,595</b>

The following table reflects the NAMC's exposure to liquidity risk from financial liabilities:

**Exposure to risks: Liquidity risk**

The entity minimises this risk by ensuring that enough working capital (cash reserves and short-term receivables) are available to cover its current liabilities through the analysis of the commitments against the cash available in our current and call accounts.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

	2020		2019	
	Gross	Impairment	Gross	Impairment
<b>Cash and equivalents</b>				
- Neither past due nor impaired	9,821	-	18,527	-
<b>Receivables</b>				
- Past due but not impaired		-	96	-
- Neither past due nor impaired	34,322	-	397	-
<b>Total</b>	<b>44,143</b>	<b>-</b>	<b>19,020</b>	<b>-</b>

The following table provides information regarding the maturity analysis on NAMC's contractual undiscounted cash flows for its payables:

	Carrying amount	Total contractual cash flows	Not later than one year	2 to 5 years
<b>2020</b>				
Finance lease liabilities	24	24	18	6
Payables	2,095	2,095	-	-
<b>Total</b>	<b>2,119</b>	<b>2,119</b>	<b>18</b>	<b>6</b>
<b>2019</b>				
Finance lease liabilities	65	65	65	-
Payables	2,530	2,530	-	-
<b>Total</b>	<b>2,595</b>	<b>2,595</b>	<b>65</b>	<b>-</b>

### **Exposure to risk: Market risk**

#### **Interest rate risk**

#### **Concentration of interest rate risk**

#### **Variable rate instruments**

Financial assets	9,821	18,527
Financial liabilities	(24)	(65)
<b>Total</b>	<b>9,797</b>	<b>18,462</b>

#### **Variable rate instruments**

Financial assets	34,322	493
Financial liabilities	(2,095)	(2,530)
<b>Total</b>	<b>32,227</b>	<b>(2,037)</b>



National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

**Figures in R `000**

The exposure to the changes in interest rates primarily affects NAMC's current and call accounts and finance lease arrangements.

21.0.3 An averaged 1% change in the market interest rate on the outstanding balances of the following instruments at year end will have the following effect per annum:

	Change in interest rate	Current balance	Upward change (+1%)	Downward change (-1%)
<b>2020</b>				
Net surplus		(1,972)	(1,874)	(2,070)
Change in net surplus			(5)	5
<b>Cash and cash equivalents</b>	<b>0.01</b>	<b>9,821</b>	<b>98</b>	<b>(98)</b>
<b>Net Surplus for the year</b>				
Change in Net Surplus		(1,972)	(1,972)	(1,972)
Finance lease	0.01		0.01	(0.01)
		<b>24</b>	<b>(0)</b>	<b>0</b>
<b>2019</b>				
Net surplus		1,207	1,392	1,022
Change in net surplus			50	(50)
<b>Cash and cash equivalents</b>	<b>0.01</b>	<b>18,527</b>	<b>185</b>	<b>(185)</b>
<b>Net Surplus for the year</b>				
Change in Net Surplus		1,207	1,206	1,208
Finance lease	0.01		-0.05	0
		<b>65</b>	<b>-1.00</b>	<b>1</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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### 22. Related parties

Parties related to National Agricultural Marketing Council

Relationship	Name of related party
Executive Managers	
Controlling entity	Department of Agriculture, Land Reform and Rural Development
National department - (under common control with controlling entity)	Department of Agriculture, Land Reform and Rural Development
Land and Agricultural Bank of South Africa (under common control with NAMC)	Land and Agricultural Bank of South Africa
Agricultural Research Council (under common control)	Agricultural Research Council

### Related parties transactions

Department of Agriculture, Land Reform and Rural Development - Grant	45,251	43 239
Department of Agriculture, Land Reform and Rural Development-Strategic Infrastructure Project, Operation Phakisa and ACIAR	607	200
Department of Agriculture, Land Reform and Rural Development- National Red Meat Development project, Ceres abattoir and Maize Hub Project.	3,289	31 064
Land and Agricultural Bank of South Africa	-	350
Agricultural Research Council	44	68
	<b>49,191</b>	<b>74 921</b>

The transaction with related party transactions indicate the amounts utilised and receivable from grants/sponsorship from related parties during 2019/20.

### Related parties balance

Department of Agriculture, Land Reform and Rural Development -Strategic Infrastructure Project, Operation Phakisa and ACIAR	303	910
Department of Agriculture, Land Reform and Rural Development	41,636	16 827
	<b>41,939</b>	<b>17 737</b>

The balances on related parties indicates the conditional grants remaining to be utilised 2020/21. The balances disclosed are interest free and not secured.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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### 23. Significant estimates and judgement made by management

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The entity has in the current financial year reviewed assessed the useful lives of property plant and equipment and intangible assets.

The assumptions used in determining the useful lives and residual values were based on the following:

- (i) Asset type and what it is made of.
- (ii) Asset special features.
- (iii) Asset condition i.e the physical condition and age of the assets.
- (iv) The rate of use of assets, number of users and location.
- (v) The residual value for vehicles were set at the industry second hand value.

#### Use of service of an expert.

No services of experts were used.

#### Change in Accounting estimates

During the current period management reviewed the useful lives and residual values of the entity's property plant and equipment and have restated the depreciation figures prospectively. The effect of this review has decreased the annual depreciation for the current and future periods by R6,1 million.

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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### 24. Budget differences

#### 24.1 Material differences between budget and actual amounts

##### 24.1.1 Revenue

###### Other income /sponsorship utilised

A variance of R34,7 million relates amount received and utilised for sponsorship projects as disclosed under note 20 of the financial statements.

###### Management fees

An increase of R570,000.00 is due to recognition of management fees relating to Vineyard development project.

###### Interest

An increase of R1 million is due to number of investment opened and the maturity period of those investment account.

##### 24.1.2 Personnel expenditure

An unfavourable variance of R3,2 million is as a result of salaries for interns. The intern's salaries were paid through AgriSeta funding and the settlement amount paid to former CEO as per settlement agreement.

Disclosed separately is the amount of personnel expenditure which relates to National Red Meat Development Project.

##### 24.1.3 Administration expenses

A favourable variance of R4,6 million is as a result of is as a result of classification differences between MTEF budget allocation and annual financial statements allocations (operational and administrative expenditure).

Disclosed separately is expenditure relating to AgriSeta.

##### 24.1.4 Operating expenses

The operating expenditure shows an unfavourable variance R7,8 million this is as a result of classification differences between MTEF budget allocation and annual financial statements allocations (operational and administrative expenditure).

Disclosed separately is operational expenditure relating to projects.

##### 24.1.5 Depreciation

A variance of R5,8 million on depreciation and amortisation is due to review of useful life of all the NRMDP assets to termination of 10 year contract, contract will expire by end of September 2020.

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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### 24.2 Budget and the actual amounts basis of preparation and presentation

The approved budget covers the period from 1 April 2019 to 31 March 2020, which is based on the MTEF budget allocation that is published on the Estimation of National Expenditure by National Treasury every year. The project funding is not budgeted for, however a separate budget control to track expenditure against the actual funding received is in place. The budget and annual financial statements are both on the accrual basis. The financial statements are prepared using classification on the nature of expenses in the statement of financial performance. The difference between approved and final budget is due to reallocation between various programmes and line items within the programmes.

### 25. Segment reporting

#### Measurement of segment surplus or deficit, assets and liabilities

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

#### Segment information

The entity is organised and reports to the Accounting Authority and Executive Authority on the basis of five segments. The segments were organised around the type of services they deliver/provide. Management uses these same segments for determining strategic objectives.

Information reported about these segments is used by management as a basis for evaluating the segment's performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The NAMC's financing (including finance costs and finance income) and revenue from taxes and transfers are allocated to operating segments. Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information through quarterly performance information reports.

The entity's business operations offices are in Pretoria, and with satellite offices for the National Red Meat Development project.

The NAMC has the following five primary reportable segments:

#### Programme 1: Administration

The purpose of this programme is to provide support services towards achieving internal business excellence within the NAMC. The programme is currently structured in accordance with the following sub- programmes:

- Sub Programme 1.1: Finance and Administration
- Sub Programme 1.2: Human Resources
- Sub Programme 1.3: Office of the Chief Executive Officer

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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The segments were aggregated on the basis of services delivered as management considered that the economic characteristics of segments throughout the NAMC were sufficiently similar to warrant aggregation.

### **Programme 2: Markets and Economic Research Centre (MERC)**

The purpose of this programme is to provide quality research to key stakeholders in support of agricultural marketing decision making.

### **Programme 3: Statutory Measures**

The purpose of this programme is to facilitate the process to implement statutory measures in order to promote the efficiency of the marketing of agricultural products.

### **Programme 4: Agricultural trusts**

The purpose of this programme is to provide advisory services relating to trusts to the Minister.

### **Programme 5: Agri-business Development**

The purpose of this programme is to provide development programmes that will link small holder farmers to markets.

National Agricultural Marketing Council

# Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

## Segment surplus or deficit, assets and liabilities

	Administration	Markets and Economic Research Centre (MERC)	Statutory Measures	Agricultural Trusts	Agribusiness Development	Total
<b>2020</b>						
<b>Revenue</b>						
Revenue from non-exchange transactions	27,109	12,089	3,085	3,310	34,369	79,962
Revenue from exchange transactions	-	19	-	-	1,026	1,045
<b>Total segment revenue</b>	<b>27,109</b>	<b>12,108</b>	<b>3,085</b>	<b>3,310</b>	<b>35,395</b>	<b>81,007</b>
<b>Expenses</b>						
Salaries and wages	17,251	10,952	2,924	2,227	15,827	49,181
Depreciation and amortisation	603	-	-	-	6,991	7,594
Other expenses	14,005	1,522	130	816	11,578	28,051
Loss on disposal of assets	7	-	-	-	20	27
<b>Total segment expenses</b>	<b>31,866</b>	<b>12,474</b>	<b>3,054</b>	<b>3,043</b>	<b>34,416</b>	<b>84,853</b>
<b>Total segment surplus</b>	<b>(4,757)</b>	<b>(366)</b>	<b>31</b>	<b>267</b>	<b>979</b>	<b>(3,846)</b>
Interest revenue	1,879	-	-	-	-	1,879
Interest expense	5	-	-	-	-	5
<b>Surplus for the period/(deficit)</b>	<b>(2,883)</b>	<b>(366)</b>	<b>31</b>	<b>267</b>	<b>979</b>	<b>(1,972)</b>

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

	Administration	Markets and Economic Research Centre (MERC)	Statutory Measures	Agricultural Trusts	Agribusiness Development	Total
<b>2020</b>						
<b>Assets</b>						
Segment assets (tangible assets)	3,034	-	-	-	6,072	9,106
Segment assets (intangible assets)	235	-	-	-	-	235
Receivable from exchange and Non-exchange transactions	762	683	-	-	32,941	34,386
Inventory	15	-	-	-	80	95
Cash and cash equivalent	774	2,647	-	-	6,400	9,821
<b>Total assets</b>	<b>4,820</b>	<b>3,330</b>	-	-	<b>45,493</b>	<b>53,643</b>
<b>Liabilities</b>						
Other Liabilities	363	328	40	70	87	888
Segment liabilities	1,132	2,894	5	-	40,135	44,166
<b>Total Liabilities</b>	<b>1,495</b>	<b>3,222</b>	<b>45</b>	<b>70</b>	<b>40,222</b>	<b>45,054</b>
<b>Other information</b>						
Capital expenditure	94	-	-	-	1,918	2,012
Non-cash items excluding depreciation	1	-	-	-	-	1
Accrued expense	951	55	5	-	193	1,204
Deferred revenue	89	2,714	-	-	40,090	42,893



National Agricultural Marketing Council

# Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

	Administration	Markets and Economic Research Centre (MERC)	Statutory Measures	Agricultural Trusts	Agribusiness Development	Total
<b>2019</b>						
<b>Revenue</b>						
Revenue from non-exchange transactions	27,465	11,901	2,708	2,096	39,402	83,572
Revenue from exchange transactions	-	20	-	-	562	582
Proceeds from insurance	-	-	-	-	-	-
Share of surplus of associates	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>27,465</b>	<b>11,921</b>	<b>2,708</b>	<b>2,096</b>	<b>39,964</b>	<b>84,154</b>
<b>Expenses</b>						
Salaries and wages	17,782	10,556	3,055	2,035	14,933	48,361
Depreciation and amortisation	691	-	-	-	233	924
Other expenses	12,827	1,742	146	660	24,548	39,923
Loss on disposal of assets	-	-	-	-	42	42
<b>Total segment expenses</b>	<b>31,300</b>	<b>12,298</b>	<b>3,201</b>	<b>2,695</b>	<b>39,756</b>	<b>89,250</b>
<b>Total segment surplus</b>	<b>(3,835)</b>	<b>(377)</b>	<b>(493)</b>	<b>(599)</b>	<b>208</b>	<b>(5,096)</b>
Interest revenue	6,315	-	0	-	-	6,315
Interest expense	12	-	-	-	-	12
<b>Surplus for the period/(deficit)</b>	<b>2,468</b>	<b>(377)</b>	<b>(493)</b>	<b>(599)</b>	<b>208</b>	<b>1,207</b>

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

	Administration	Markets and Economic Research Centre (MERC)	Statutory Measures	Agricultural Trusts	Agribusiness Development	Total
<b>2019</b>						
<b>Assets</b>						
Segment assets (tangible assets)	3,918	-	-	-	10,657	14,575
Segment assets (intangible assets)	375	-	-	-	-	375
Receivable from exchange and Non-exchange transactions	830	-	-	-	-	830
Inventory	22	-	-	-	1,210	1,232
Cash and cash equivalent	266	3,148	-	-	15,113	18,527
<b>Total assets</b>	<b>5,411</b>	<b>3,148</b>	<b>-</b>	<b>-</b>	<b>26,980</b>	<b>35,539</b>
<b>Liabilities</b>						
Other Liabilities	262	156	17	32	368	835
Segment liabilities	778	3,288	25	29	20,024	24,144
<b>Total Liabilities</b>	<b>1,040</b>	<b>3,444</b>	<b>42</b>	<b>61</b>	<b>20,392</b>	<b>24,979</b>
<b>Other information</b>						
Capital expenditure	894	-	-	-	7,987	8,881
Non-cash items excluding depreciation	1	-	-	-	-	1
Accrued expense	512	91	25	29	978	1,635
Deferred revenue	154	3,197	-	-	18,952	22,303

National Agricultural Marketing Council

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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**Impact on assets, liabilities and equity of the application of the above new and revised standards, voluntary changes in accounting policy and errors**

### 26. Contingent liabilities

#### Claim by former employee of Transkei Agricultural Marketing Board

The NAMC has received a summons from high court of South Africa with regard to reinstatement of former employee to his former position of a General Manager of which the former employee was occupying before the disbandment of the Transkei Marketing Board.

The applicant is claiming that arrear salary be paid to him with interest dating back 29 September 2000. The NAMC is the 3rd respondent to this summons, the Minister of Department of Agriculture, Forestry and Fisheries is the 1st respondent in this case and all the matters relating to this summons are handled by the Department the NAMC anticipate to pay legal cost of R25,000.00.

#### Claim by Hortgro against NAMC

The defendant allege that the establishment by the Minister of statutory measures for the collection of levies from procedures of apples and pears in certain regions and in the imposition of levies were unauthorised, unlawful and accordingly void as a consequences of failure to comply with section 10.11.13 of the MAP Act.

Currently the NAMC is in no manner directly involved in the said litigations.

## Notes to the Financial Statements

Audited Financial Statements for the year ended 31 March 2020

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### 27. Fruitless and Wasteful expenditure

Reconciliation of Fruitless and Wasteful Expenditure

Opening balance -	522	12
Add: Fruitless and Wasteful expenditure - current year	7,424	-
Add: Fruitless and Wasteful expenditure - prior year	-	522
Less: Condoned or written off by relevant authority	-	(12)
Less: Transfer to receivables for recovery	-	-
<b>Fruitless and wasteful expenditure closing balance</b>	<b>7,946</b>	<b>522</b>

Fruitless and Wasteful expenditure of R522,000.00 relates to expenditure incurred on AIMS project which NAMC was supposed to implement on behalf of Department of Agriculture, Forestry and Fisheries. The project was not implemented and the funds that were ringfenced for this project were returned to National Treasury.

Fruitless and Wasteful expenditure of R1,744,536.00 was incurred as a result of payment made where goods have not been delivered, this is relating to the Vine Yard Development project.

Fruitless expenditure of R7,4 million relates to payment of 7 months settlement packages paid to National Redmeat Development Project employees, due to non-adherence to section 189 of the labour relation's Act.

### 28. Irregular expenditure

Opening balance -	37,111	-
Add: Irregular expenditure - current year	36,906	27,410
Add: Irregular expenditure - prior year	9,242	9,701
Add: Confirmed irregular expenditure disclosed as under investigation in the prior year	34,559	-
Less: Condoned by relevant authority	-	-
Less: Transfer to receivables for recovery	-	-
<b>Irregular expenditure closing balance</b>	<b>117,818</b>	<b>37,111</b>

#### Details of irregular expenditure under determination of investigation- Prior year

Procurement of feed and constructions NRMDP prior years	-	33,690
Payment of Non-executive members under the employment of state	-	869
<b>Total</b>	<b>-</b>	<b>34,559</b>

National Agricultural Marketing Council

## Notes to the Financial Statements

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**28.1 Details of irregular expenditure disclosed in the current year: R36,9 million and 9,2 million prior year.**

**28.1.1 Irregular expenditure:NRMDP contract: R36,680,133.02**

Irregular expenditure disclosed in the current year includes an amount of R28,979,926.64 expenditure incurred in the current and prior year 2018/19(7,700,206.38) on the NRMDP project whereby by the contract was entered into without following the delegation of authority. This also includes irregular expenditure on purchases of feed and procurement of construction materials and consrturction services on a quotations basis instead of tender processes.

**28.1.2 Over-expenditure on NAMC budget: R1,018,326.62**

The entity incurred over expenditure of R1,018,326.62 due to expenditure incurred on payment of settlement package paid to the former CEO and legal fees for investigations conducted which were not budgeted for.

**28.1.3 Contract extensions R6,215,203.57**

The irregular expenditure of R6,215,203.57 relates to Rental of office space, Security, Document storage,and Car rentals- new contracts have been entered into during the financial year 2019/20 and old contracts were cancelled, with the exception of the rental office space, this will be reviewed in current financial year once the contract expires.

**28.1.4 Payment to Non-Executive Directors (NED) : R694,548.34 (2019/20) and R1,541,639.83 Prior years**

The irregular expenditure of R694,548.34 and R1,541,639.83 was paid to NED employed by state and usage of SAICA rates approved by Accounting Authority but not approved by Executive Authority.

**28.2 Details on progress relating to irregular expenditure identified in the previous financial year: R71,7 million**

Determination test on the irregular expenditure of R71,7 million identified in the prior year was conducted, the request for condonation of irregular expenditure will be done once the process relating to consequence management is finalised.

**29. Tax exemption**

The NAMC is exempted from income tax in terms of Section 10(1) cA (i) of the Income Tax Act 1962.

**30. Operational Commitments**  
**Approved commitments**

	2020	2019
Goods and services	1,816	2,000
<b>Total</b>	<b>1,816</b>	<b>2,000</b>

Commitments relates to outstanding orders issued to suppliers for services not rendered as at year end and also commitment relating long term and short term contracts with service providers of which as at year end the contracts were still active.

There were no capital commitments for the period under review.

# ANNEXURE A: CONTACT DETAILS

**Table 23: CONTACT DETAILS OF LEVY ADMINISTRATORS AND TRANSFORMATION MANAGERS**

Administering Body	Contact Person	Transformation Manager
Cape Flora SA	Ms Karien Bezuidenhout T 021 870 2900 F 021 870 2915 karien@hortgro.co.za	
Citrus Growers' Association of SA	Mr Justin Chadwick T 031 765 2514 F 031 765 8029 justchad@iafrica.com	Mr Lukhanyo Nkombisa 072 257 8386 lukhanyo@cga.co.za
Cotton SA	Mr Hennie Bruwer T 012 804 1462/7 F 012 804 8616 henniebruwer@cottonsa.org.za	Mr Peter Komane 012 804 1462 082 952 9871 peter.cottonsa@vodamail.co.za
National Lucerne Trust	Ms Sunet Vermeulen-Fenthum T 044 272 8991 F 044 279 2838 sunet@lucern.org.za	
Milk Producers' Organization	Dr Chris van Dijk T 012 843 5600 F 012 843 5781 Chris.vandijk@mpo.co.za	
Milk SA	Mr Nico Fouché T 012 460 7312 F 012 460 9909 nico@milksa.co.za	Mr Godfrey Rathogwa 012 460 7312 082 900 6712 godfrey@milksa.co.za
Fruit Fly	Mr Nando Baard T 021 882 9541 F 086 756 8656 nando@fruitfly.co.za	
HORTGRO	Mr Anton Rabe T 021 870 2900 F 021 870 2915 anton@hortgro.co.za	
SA Macadamia Growers' Association	Ms Lizel Pretorius lizel@samac.org.za T 012 001 4107	
SA Olive Industry	Ms Karien Bezuidenhout T 021 870 2900 F 021 870 2915 (F) karien@hortgro.co.za	Mr John Scrimgeour 0218683120 0833815287 buffet@icon.co.za
SA Table Grape Industry	Mr Willem Bestbier T 021 872 1438 F 021 872 4375 willem@sati.co.za	Mr Wilton September T 021 872 1438 F 021 872 4375 wilton@SATI.co.za
Raisins SA	Mr Ferdie Botha T 054 495 0283 ferdieb@raisinsa.co.za	Ms Simone Sell simone@raisinsa.co.za

Administering Body	Contact Person	Transformation Manager
SA Cultivar & Technology Agency (SACTA)	Mr Leon du Plessis T 012 807 3958 F 012 349 8707 leon@llagric.co.za	
South African Pecan Producers' Association	Mr Andre Coetzee 083 271 6577 andrecoetzee@hortgro.co.za	
South African Pork Producers' Organisation	Mr Johann Kotze T 012 100 3035 C 079 523 5767 jfk@sapork.com	Ms Kgadi Senyatsi T 012 100 3035 C 073 861 3588 kgadi@sapork.com www.sapork.biz
Pomegranates Association of South Africa	Ms Andriette de Jager T 021 870 2900 andiette@hortgro.co.za	
Potatoes SA	Dr Andre Jooste T 012 349 1906 F 012 349 2641 elsabe@potatoes.co.za	Ms Nomvula Xaba T 012 349 1906 F 012 349 2641
Red Meat Levy Admin	Ms Alet Calitz T 012 348 7572 F 012 361 9837 aletd@levyadmin.co.za	Mr Simon Streicher 076 232 3357 manager@rmif.co.za www.redmeatsa.co.za
SAGIS (South African Grain Information Service)	Mr Nico Hawkins T 012 941 2050 F 086 543 2639 management@sagis.org.za	
SAWIS (South African Wine Industry Information Services)	Ms Yvette van der Merwe T 021 807 5719 F 021 807 6000 yvette@sawis.co.za	Ms Wendy Petersen T 021 276 3210 wendy@witu.co.za
SAPA (Southern African Poultry Association)	Mr Mogala Mamabolo T 011 795 9920 C 076 178 3861 mogala@sapoultry.co.za	
Winter Cereals Trust	Mr Ishmael Tshiame T 012 0071200 0743384276 ishmael.tshiame@wctrust.co.za	
WOSA (Wines of South Africa)	Ms Siobhan Thompson T 021 883 3860 x 204 F 021 883 3868 sthompson@wosa.co.za	Ms Wendy Petersen T 021 276 3210 wendy@witu.co.za
Winetech (Wine Industry Network of Expertise and Technology)	Mr Gerard Martin T 021 276 0498 F 086 611 7817 Marting@winetech.co.za	Ms Wendy Petersen T 021 276 3210 wendy@witu.co.za
Cape Wools SA	Mr Deon Saayman T 041 484 4301 F 041 484 6792 capewool@cape-wools.co.za	

## EXECUTIVE AUTHORITY

Parliament oversees the Executive Authority, which is required to provide it with full and regular reports concerning matters under its control. The Executive Authority for the NAMC is the Minister of Agriculture, Land Reform and Rural Development. The MAP Act, No. 47 of 1996, provides that the Executive Authority can appoint or dismiss members of Council, including the Chairperson, Deputy-Chairperson and members of Council.

The appointment procedure for Council members is set out in subsection (4) of the MAP Act. Before the expiration of a member's term of office, the procedure set out in subsection (4) of the MAP Act must be followed for the appointment of a successor.

The NAMC Council submits quarterly reports on actual performance against pre-determined objectives to the Executive Authority within 30 days of the end of a quarter.

## THE ACCOUNTING AUTHORITY / COUNCIL

The MAP Act, No. 47 of 1996, provides guidelines for the composition of the Council. The Minister of Agriculture, Forestry and Fisheries is responsible for appointing one of the members of the Council to the position of Chairperson and another member as Vice-Chairperson. The Council is composed of 10 members. The current Council was appointed on 25 May 2017 and their term of office is four (4) years.

### Functions of Council

According to Section 9 of the MAP Act, No. 47 of 1996, the functions of Council are as follows:

- (1) Subject to the provisions of section 2, the Council –
  - (a) shall, when requested by the Minister, or of its own accord, investigate in terms of section 11 (2), the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency of, and if necessary proposing alternatives to, the establishment, continuation, amendment or repeal of a statutory measure, or other regulatory measure, and to report to and advise the Minister accordingly;
  - (b) shall prepare and submit to the Minister for consideration statutory measures and changes to statutory measures which the Minister directs it to prepare;

(c) shall, whenever requested by the Minister, and at least once annually, report on the activities of the Council;

(d) may direct any institution or body of persons designated for the implementation or administration of a statutory measure in terms of section 14, to furnish the Council with such information pertaining to a statutory measure as the Council or the Minister (or the parliamentary committees) may require;

(e) may undertake investigations and advise the Minister regarding:

- (i) the agricultural marketing policy and the application thereof;
- (ii) the co-ordination of agricultural marketing policy in relation to national economic, social and development policies and international trends and developments; and
- (iii) the possibilities for promoting the objectives mentioned in section 2 (2); and
- (iv) the effect that marketing of products has on the objectives mentioned in section 2 (2).

(f) shall monitor the application of statutory measures and report thereon to the Minister, and shall evaluate and review such measures at least every two years;

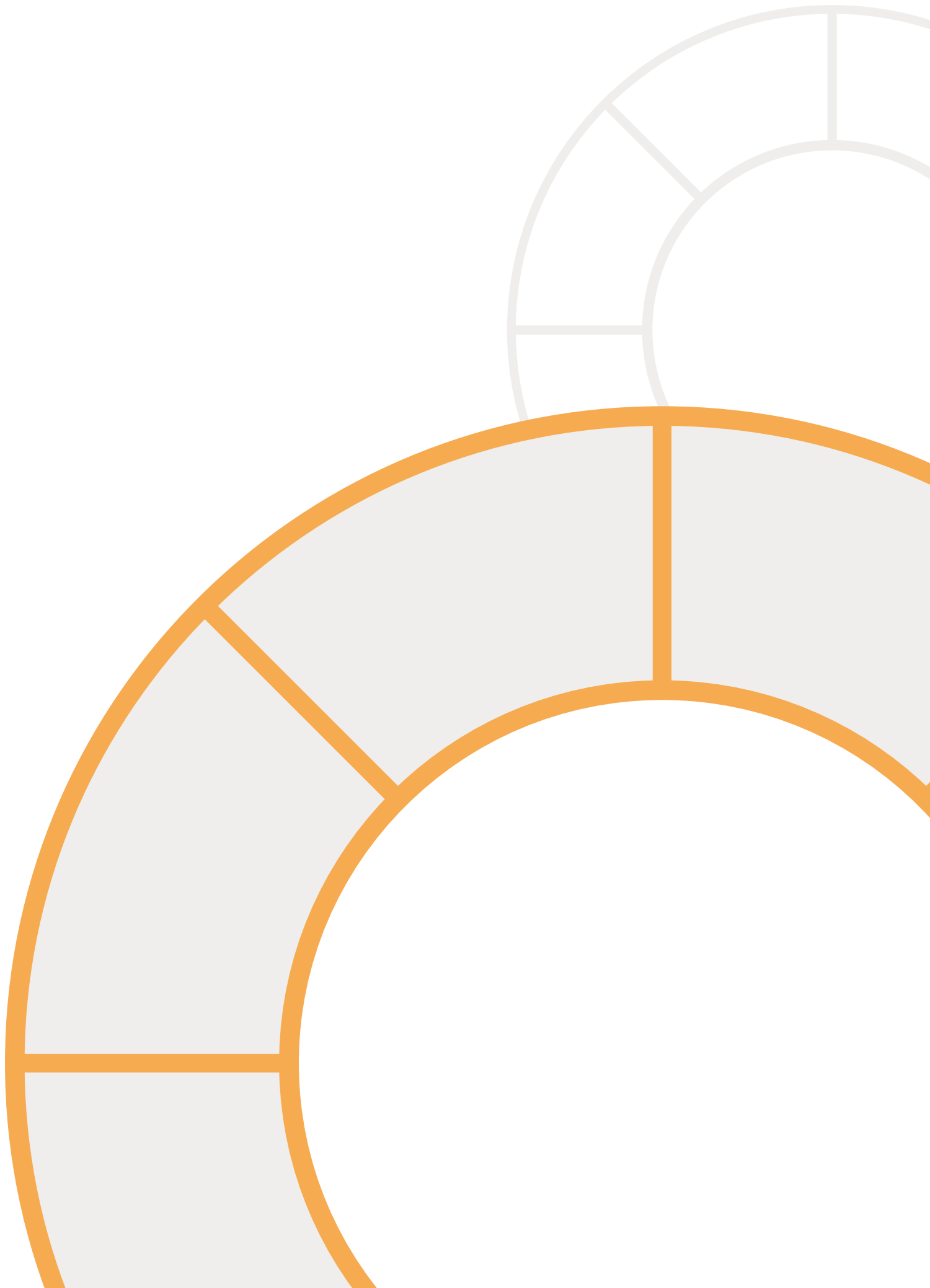
(g) shall prepare a budget of its expenses, in consultation with the Director-General, on an annual basis for approval by the Minister.

(2) Copies of all reports which are submitted to the Minister in terms of subsection (1) shall simultaneously be dispatched to the parliamentary committees for their information.

### Council Charter

The Council is governed by a Charter as recommended by the King Codes on Corporate Governance, which details the roles, structures and functions of the Council and its various sub-committees.







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