

# STATUS REPORT ON STATUTORY MEASURES

IMPLEMENTED IN TERMS OF THE  
MARKETING OF AGRICULTURAL PRODUCTS ACT,  
ACT NO. 47 OF 1996

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2022 SURVEY



A REPORT BY THE  
NATIONAL AGRICULTURAL MARKETING COUNCIL TO  
THE MINISTER OF AGRICULTURE, LAND REFORM AND  
RURAL DEVELOPMENT

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## 1. SUMMARY

The Marketing of Agricultural Products Act, No. 47 of 1996 (MAP Act), as amended, provides for the establishment of statutory measures. A “statutory measure” includes a levy contemplated in Section 15 of the MAP Act, the control of exports of agricultural products in terms of Section 16, records and returns in terms of Section 18, and registration in terms of Section 19. Since 1997, statutory measures, namely levies, records and returns, and registration, have been approved by the Minister responsible for agriculture (hereafter referred to as the Minister) and promulgated in the Government Gazette for specific agricultural products and for specific periods of time. The control of exports of agricultural products (Section 16) has not, to date, been requested or implemented.

Section 9 of the MAP Act directs that the National Agricultural Marketing Council (NAMC) must monitor the application of statutory measures and report thereon to the Minister and shall evaluate and review such measures at least every two years. Since 2001, the NAMC has conducted an annual review of all statutory measures implemented in terms of the MAP Act (the statutory measures implemented are levies, records and returns, and registration).

This report on the status of statutory measures, compiled by the NAMC for submission to the Minister, focuses on the various levies collected by the 20 agricultural industries concerned, as well as on the status of transformation funded by means of statutory levy income, including the activities funded through the statutory levy meant

for transformation. A statutory levy is a charge per unit of an agricultural commodity at any point in the marketing chain between the producer and the consumer, which is collected to finance specific functions in the specific industry, such as research, market access, information and transformation. Registration, as well as records and returns, are measures used to collect and disseminate information in a particular industry.

Levies are payable by specific directly affected groups (usually producers and/or exporters and importers) in a particular industry. The point of levy collection is in most cases at the first point of sale. Therefore, the levy income is influenced by crop size and agricultural trade and, to some extent, the levy collection success rate. Statutory measures, and specifically levies, play an important role in enabling growth in the relevant agricultural industries through effective information management and communication and the collection of funds to finance much-needed functions.

The levy administrators’ total funds collected through statutory levies in the 2022 survey amounted to approximately R986.1 million, which is 21.9% higher than the 2021 survey. This increase in total levy income can be attributed to, amongst other things, the higher citrus statutory levies which were implemented in 2021 and the soybean and winter cereals breeding levies approved over the last few years.



The 2022 survey shows that approximately R896.0 million was spent on industry functions, which represents an increase of 28.3% compared to the 2021 survey. Of the total expenditure, about 47.0% was spent on research, 9.0% on export promotion/market access, and 6.7% on information. About 20.0% (R179.2 million) was spent on transformation projects. It is important to note that all the figures analysed in this 2022 survey were obtained from the relevant audited financial statements as received from levy administrators.

The NAMC's findings on the current status of statutory measures promulgated in terms of the MAP Act, as verified by the latest audited financial statements for each levy administrator, and the progress in the funding of transformation by the industries administering statutory levies, are hereby presented to the Minister.



## 2. BACKGROUND

The MAP Act stipulates that any directly affected group may apply for the establishment of statutory measures, namely statutory levies, control of the export of agricultural products, records and returns, and registration, provided that the procedures prescribed in the Act are followed.

The MAP Act further stipulates that the Minister shall only consider a request for the establishment of a statutory measure if the request is consistent with the objectives as set out in Section 2 of the Act. These are:

- (a) to increase market access for all market participants;
- (b) to promote the efficiency of the marketing of agricultural products;
- (c) to optimise export earnings from agricultural products; and
- (d) to enhance the viability of the agricultural sector.

No statutory measure or prohibition in terms of Section 22 (prohibition of import and export of agricultural products) that is likely to be substantially detrimental to food security, the number of employment opportunities within the economy, or fair labour practices may be instituted in terms of the MAP Act.

One of the functions of the NAMC, as stipulated in Section 9 of the MAP Act, is to investigate the establishment, continuation, amendment or revocation of statutory measures affecting the marketing of agricultural products, and to evaluate the desirability, necessity or efficiency of – and if necessary, to propose alternatives to – the establishment, continuation, amendment or repeal of a statutory measure, and to report to and advise the Minister accordingly. Furthermore, the NAMC may direct any institution or body of

persons designated to implement or administer a statutory measure to furnish the Council with such information pertaining to the statutory measure as the Council or the Minister may require.

The MAP Act states that a directly affected group means any group of persons who are party to the production, sale, purchasing, processing or consumption of an agricultural product and includes labour employed in the production or processing of such a product. The NAMC keeps a register that is used inter alia to bring applications for statutory measures (interventions in the agricultural sector in terms of the MAP Act) to the attention of directly affected groups and to invite such groups to lodge any objections or representations relating to such a request to the NAMC within a specified time. The viewpoints of directly affected groups are considered before the NAMC formulates its recommendations to the Minister with regard to the establishment or amendment of statutory measures.

The MAP Act stipulates that an application for statutory measures must contain particulars of “evidence of support by directly affected groups” before the Minister can consider the approval of the statutory measures. Since 1997, the NAMC has been following the guideline that there must be an indication that at least 67% of role players subject to the proposed statutory measures, representing at least 67% of the production of the product (measured in terms of the production of the role players), must support an application before the NAMC can make a recommendation to the Minister to approve the relevant statutory measures.

The degree of support received from directly affected groups will be tested, along with whether the statutory levy will finance a public good – that is, a good or service that benefits all role players.



Statutory measures are implemented for a specific agricultural product. On 4 September 1997 (in Government Gazette Notice No. R. 1189), the Minister declared a list of products as agricultural products for the purpose of the MAP Act. Since then, statutory measures on various agricultural products have been approved and promulgated. Where statutory measures were requested on products not specifically declared as agricultural products, or where uncertainties arose as to whether or not products were included, the notice regarding the declaration of agricultural products has been amended.

The MAP Act stipulates that “any levies remaining in 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 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.



## 2.1 STATUTORY MEASURES IMPLEMENTED

The following table summarises the statutory measures implemented in the specific agricultural sectors and the relevant administering bodies in the 2022 survey:

**Table 1: SUMMARY OF STATUTORY MEASURES IMPLEMENTED**

Industry	Administering Body	Statutory Measures		
		Statutory levy	Records and returns	Registration
Citrus	SA Citrus Growers' Association	•	•	•
Cotton	Cotton SA	•	•	•
Dairy	Milk SA	•	•	•
Deciduous fruit	HORTGRO	•	•	•
Dried vine fruit (raisins)	Raisins South Africa	•	•	•
Fruit industry	Agri-hub		•	•
Fruit fly	Fruitfly Africa	•		
Fynbos (proteas)	Cape Flora SA	•	•	•
Maize, winter cereals, sorghum and oilseeds	South African Grain Information Service		•	•
Lucerne	National Lucerne Trust	•	•	•
Macadamias	Macadamias South Africa Non-Profit Company	•	•	•
Milk	Milk Producers' Organisation		•	•
Olives	South African Olive Industry Association	•	•	•
Pecan nuts	SA Pecan Nut Producers' Association	•	•	•
Pomegranates	Pomegranate Association of South Africa	•	•	•
Pork	SA Pork Producers' Organisation	•	•	•
Potatoes	Potatoes SA	•	•	•
Red meat	Red Meat Levy Admin	•	•	•
Soybeans	SA Cultivar and Technology Agency (SACTA)	•		
Table eggs	SA Poultry Association	•	•	•
Table grapes	SA Table Grape Industry	•	•	•
Wine	SA Wine Information and Systems (SAWIS); Wine Industry Network of Expertise and Technology (WINETECH); Wines of South Africa and Wine (WOSA) South African Wine Industry Transformation Unit (SAWITU)	•	•	•
Winter cereals	SA Cultivar and Technology Agency (SACTA)	•		
Wool	Cape Wools SA		•	•



The details of the specific financial year reported on in this survey, as well as the levy terms applicable, are summarised as follows:

**Table 2: STATUTORY LEVIES REVIEWED – 2022 SURVEY**

Product	Administering body	Financial statements	Measure introduced	Measure lapses	Duration
Citrus	SA Citrus Growers' Association	Apr 2021 – Mar 2022	1 Jan 2021	31 Dec 2024	4 years
Cotton lint	Cotton SA	Apr 2020 – Mar 2021	20 July 2018	31 Mar 2022	4 years
Dairy	Milk SA	Jan 2021 – Dec 2021	1 Jan 2018	31 Dec 2022	4 years
Deciduous fruit - Pome and stone fruit & market development - Fruit Fly Africa	HORTGRO	Oct 2020 – Sep 2021	6 Nov 2019	6 Nov 2023	4 years
	Fruitfly Africa	Jul 2020 – Jun 2021	23 Sep 2020	23 Sep 2024	4 years
Dried vine fruit	Raisins South Africa	Jan 2021 – Dec 2021	28 Oct 2020	28 Oct 2024	4 years
Fynbos (proteas)	Cape Flora SA	Mar 2021 – Feb 2022	29 Apr 2020	29 Apr 2024	4 years
Lucerne	National Lucerne Trust	Sep 2020 – Aug 2021	30 Nov 2018	14 Nov 2022	4 years
Macadamias	Macadamias South Africa Non-Profit Company	Mar 2021 – Feb 2022	15 Nov 2018	14 Nov 2022	4 years
Olives	South African Olive Industry Association	Nov 2020 – Oct 2021	23 Sep 2020	23 Sep 2024	4 years
Pecans	SA Pecan Nut Producers' Association	Mar 2021 – Feb 2022	1 Mar 2020	1 Mar 2024	4 years
Pomegranates	Pomegranate Association of South Africa	Sep 2020 – Aug 2021	1 Jan 2020	1 Jan 2024	4 years
Pork	SA Pork Producers' Organisation	Jan 2021 – Dec 2021	1 Nov 2019	31 Oct 2022	3 years
Potatoes	Potatoes SA	Jul 2020 – Jun 2021	1 Jul 2019	1 Jul 2023	4 years
Red meat	Red Meat Levy Admin	Mar 2020 – Feb 2021	5 Nov 2020	4 Nov 2022	2 years
Soybeans	SACTA	Mar 2021 – Feb 2022	1 Mar 2019	28 Feb 2021	2 years
Table eggs	Table Egg Levy Admin	Jan 2021 – Dec 2021	1 Apr 2022	31 Mar 2026	4 years
Table grapes	South African Table Grape Industry	Nov 2020 – Oct 2021	28 Oct 2020	28 Oct 2024	4 years
Wine and grapes	SAWIS, WINETECH, WOSA and SAWITU	Jan 2020 – Dec 2020	1 Jan 2019	31 Dec 2023	4 years
Winter cereals	SACTA	Mar 2021 – Feb 2022	1 Oct 2020	30 Sep 2022	2 years

## 2.2 THE IMPACT OF COVID-19 ON AGRICULTURAL INDUSTRIES

Most of the administrators of statutory measures indicated that the COVID-19 pandemic did not have a major effect on their activities. Some of the other industries reported as follows:

### **Deciduous fruit**

The largest impact of COVID-19 on the fruit industry is linked to logistical challenges in getting the fruit to the market and to additional costs at a producer and packhouse level to mitigate these risks. Port delays and the inability to get the product to the market timeously were some of the biggest challenges including the loss of specific markets such as Russia.

### **Fynbos**

The fynbos industry indicated that COVID-19 had an impact on the industry, mainly through disruptions at the port and export markets, where markets were closed because of the pandemic lockdown. However, the inclusion of additional products in the current levy cycle, as compared with the previous cycle, made the impact less visible on levy income. The largest impact was on the producer/exporter level, with high freight costs putting the producer's income under pressure.

### **Lucerne**

According to the National Lucerne Trust, it has been a challenging year for both lucerne hay and seed producers, in terms of the quantities of lucerne hay and seed produced during the 2020|21 production season. This is mainly attributable to anomalous weather conditions experienced in both the major lucerne seed (Klein Karoo) and lucerne hay (Northern Cape Province) producing areas of South Africa, and not necessarily because of the current regulations and restrictions put in place by the government to deal with the spread of the COVID-19.

### **Olives**

The olive industry indicated that COVID-19 had impacted on all their activities, but not specifically on statutory levy income. The most heavily impacted group of activities was technical research.

### **Pomegranates**

The pomegranate industry reported that delays at the harbours had a very negative impact on the quality of fruit, and resulted in large numbers of rejections and claims.

### **Potatoes**

According to Potatoes SA, it is generally accepted that the influence of COVID-19 and the accompanying containment measures have had an impact on the survival of potato producers. This prompts producers to withdraw from farming. Hopefully, this is a temporary situation.

### **Red meat**

The red meat industry indicated that some of the smaller abattoirs closed owing to COVID-19. Total slaughter statistics were down by 7.5% compared with the 2020 numbers.

### **Table eggs**

The table egg industry indicated that because agricultural services were regarded as essential services, the COVID-19 regulations had little disruptions or impact on the trade of table eggs.

### Table grapes

The table grape industry indicated that, owing to COVID-19, farmers were challenged regarding markets and returns. Extra cost was incurred in order to adhere to protocols. In general, table grape farmers had a difficult year, with logistics at harbours, longer travel times, quality issues and higher claims, which influenced the prices and returns on investment in a negative manner.

### Wine

The COVID-19 pandemic and the resultant issues caused by the pandemic, such as the lack of shipping containers, ships bypassing the Cape Town port, long shipping lead-times, a dearth in glass bottle availability and other packing materials, caused a great amount of uncertainty as to what volumes would be exported and, in turn, the levy income realisation. This also hampered the wine industry's ability to market wine to compete in the international realm. Despite the above and alcohol bans imposed on local wine sales during the pandemic, the wine industry still managed to collect 17% more in statutory levy income, as compared with the budgeted income for the relevant period.



## 2.3 ROLE PLAYERS INVOLVED IN THE STATUTORY ENVIRONMENT

The specific role players affected by statutory measures in each respective industry are summarised as follows:

Citrus	Citrus growers – 1 324
Cotton	Producers – 1 390, Ginners – 7 and Spinners - 4
Dairy	Processors of raw milk – 135, Producers of raw milk, selling it to consumers and retail, and producers who process the raw milk – 67, exporters of raw milk – 2 and Importers of manufactured dairy products - 130
Deciduous fruit	Producers – 1 158, Packhouses – 268, Marketing agents – 51 and Processors - 4
Dried vine fruit	Commercial producers – 701 and emerging producers - 132
Fruit fly	Participating producers – 577
Fynbos	Producers – 101 and Exporters - 18
Macadamias	Commercial producers – 606, Emerging growers – 348, Processors – 33 and Nurseries - 48
Olives	Producers – 194 and importers / retailers - 40
Pecan nuts	Producers – 700, Processors – 21 and Nurseries - 60
Pomegranates	Producers – 59, Exporters – 6 and Packhouses - 14
Potatoes	Producers – 513, Fresh produce markets – 17, Bag manufacturers – 5, Processors – 10, Importers – 8 and Exporters - 9
Red meat	Abattoirs – 366, Livestock agents – 54, Meat processors – 18, Tanneries – 3 and Outlets – 3 044
Table eggs	Producers - 250
Table grapes	Producers - 295
Wine	Primary producers – 2 613 (including 471 private cellars), Wine cellars which crushed grapes: Producer cellars – 43, Private cellars – 471 and Wholesalers - 114
Wool	Brokers – 6, Buyers – 7, Traders – 98, Processors – 1 and Exporters - 8





### 3. STATUTORY LEVIES

#### 3.1 TOTAL LEVY INCOME

The total funds collected through statutory levies reported in the 2022 survey amounted to approximately R986.1 million, which is 21.9% higher than the previous survey's reported levy income of roughly R808.9 million.

**Table 3: TOTAL STATUTORY LEVY INCOME – 2022 SURVEY**

Product	Levy income 2022 survey	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)	254 770 473	24 217 316 216	1,1%
Cotton lint	7 330 439	593 400 000	1,2%
Dairy products	62 739 378	17 029 885 730	0,4%
Deciduous Fruit	139 724 733	9 034 537 258	1,5%
***Pome and stone	81 276 141		
***Market development	21 526 448		
***Fruit fly Africa	36 922 144		
Dried fruit	11 616 397	1 513 561 000	0,8%
Fynbos (proteas)	1 311 632	229 831 991	0,6%
Lucerne	2 710 694	1 043 295 000	0,3%
Lupines (SACTA)	509 853	50 943 201	1,0%
Macadamias	33 852 101	3 965 290 000	0,9%
Olives	1 354 292	75 712 576	1,8%
Pecan nuts	6 724 370	1 095 100 000	0,6%
Pomegranates	872 403	118 735 931	0,7%
Pork	40 212 526	7 967 674 980	0,5%
Potatoes	48 515 521	12 000 000 000	0,4%
Red meat	49 677 110	28 000 000 000	0,2%
Soybeans (SACTA)	87 336 501	6 022 299 000	1,5%
Table eggs	8 795 046	9 200 000 000	0,1%
Table grapes	38 697 413	8 000 000 000	0,5%
Wine	115 461 535	6 649 300 000	1,7%
Winter cereal (SACTA)	73 843 106	8 418 034 326	0,9%
<b>TOTAL</b>	<b>986 055 523</b>	<b>145 224 917 209</b>	<b>0,7%</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 2022 survey, the total levy income as a percentage of the value of agricultural products at the first point of sale is approximately 0.7%.

### 3.2 TOTAL LEVY EXPENDITURE

The 2022 survey shows that approximately R896.0 million was spent on industry functions – an increase of 28.3%, compared with the R698.2 million spent in the 2021 survey. Of the total expenditure, approximately 47.0% was spent on research, 9.0% on export promotion/market access, and 6.7% on information. Approximately 20.0% (R179.2 million) was spent on transformation projects.

**Table 4: ALLOCATION OF LEVY EXPENDITURE – 2022 SURVEY**

Functions funded	2020 survey	2021 survey	2022 survey	2022
	R	R	R	%
Administration	41 340 218	52 949 652	48 829 202	5,4
Information	73 707 321	64 593 792	60 072 980	6,7
Research	244 075 627	268 581 600	421 316 576	47,0
Transformation	124 393 310	147 236 706	179 226 062	20,0
Export promotion/ market access	78 352 505	61 031 638	81 015 134	9,0
Consumer education / promotions	54 335 881	58 111 407	61 152 393	6,8
Production development	10 669 201	11 390 985	6 613 468	0,7
Plant improvement	3 930 873	1 717 815	938 373	0,1
Quality control	27 881 177	32 631 993	36 867 535	4,1
<b>TOTAL</b>	<b>658 686 113</b>	<b>698 245 588</b>	<b>896 031 723</b>	<b>100</b>

Further details on the levy expenditure per industry and per function are provided in **Table 5** on the next page.

Table 5: LEVY ALLOCATIONS TO FUNCTIONS, PER INDUSTRY AND IN TOTAL- 2022 SURVEY

	Administration	Information	Research / cultivar development	Transformation	Export promotion / market access	Consumer education / promotion	Production development	Plant improvement	Quality control	Total per industry and % of total
	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure
Citrus exported	10 050 687	792 653	153 520 084	44 042 956	12 219 799					220 626 179
	4,6%	0,4%	69,6%	20,0%	5,5%					100,0%
Cotton	204 243	5 517 744	1 280 758	1 344 349		1 369 731			2 811 105	12 527 930
	1,6%	44,0%	10,2%	10,7%		10,9%			22,4%	100,0%
Dairy	7 465 391	4 132 041	4 833 251	6 969 352		24 865 274			12 207 440	60 472 749
	12,3%	6,8%	8,0%	11,5%		41,1%			20,2%	100,0%
Deciduous fruit	4 744 197	4 854 647	61 711 990	13 704 228	21 666 881			938 373		107 620 316
	4,4%	4,5%	57,3%	12,7%	20,1%			0,9%		100,0%
***Pome / stone fruit	4 744 197	4 854 647	29 007 074	12 913 204	5 345 422			938 373		57 802 917
	8,2%	8,4%	50,2%	22,3%	9,2%			1,6%		100,0%
***Market Access					16 321 459					16 321 459
					100,0%					100,0%
***Fruit Fly Africa			32 704 916	791 024						33 495 940
			97,6%	2,4%						100,0%
Dried fruit	929 313	1 393 967	3 136 427	2 323 279	3 833 411					11 616 397
	8,0%	12,0%	27,0%	20,0%	33,0%					100,0%
Fynbos (proteas)	62 634	243 506	158 622	161 577						626 339
	10,0%	38,9%	25,3%	25,8%						100,0%
Lucerne	239 074	460 737	606 595	633 638						2 711 510
	8,8%	17,0%	22,4%	23,4%						100,0%
Lupines (SACTA)	14 099			102 683						116 782
	12,1%			87,9%						100,0%
Macadamias	3 104 034	788 402	20 967 304	7 364 561	2 636 471		623 807			35 484 579
	8,7%	2,2%	59,1%	20,8%	7,4%		1,8%			100,0%

	Administr- ation	Information	Research / cultivar development	Transformation	Export promotion / market access	Consumer education / promotion	Production development	Plant improvement	Quality control	Total per industry and % of total
	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure	Rand and % of total expenditure
Olives	65 466 4,3%	283 739 18,5%	198 824 12,9%	429 955 28,0%		559 760 36,4%				1 537 744 100,0%
Pecan nuts	475 793 7,1%	1 184 315 17,6%	3 007 548 44,7%	1 564 015 23,2%	501 582 7,4%					6 733 253 100,0%
Pomegranates	52 255 8,6%	27 228 4,5%	425 945 70,3%	40 995 6,8%	25 000 4,1%	34 368 5,7%				605 791 100,0%
Pork	4 669 306 11,7%	5 694 399 14,3%	1 107 538 2,8%	10 518 335 26,4%		9 329 710 23,4%			8 570 888 21,5%	39 890 176 100,0%
Potato	3 354 464 6,5%	10 714 499 20,9%	12 140 787 23,6%	12 909 869 25,1%		12 268 750 23,9%				51 388 369 100,0%
Red meat	3 554 372 7,1%	4 136 035 8,3%	5 867 637 11,8%	9 593 802 19,3%		11 541 961 23,2%	5 989 661 12,0%		9 037 245 18,2%	49 720 713 100,0%
Soybeans (SACTA)	2 415 167 2,8%		67 239 393 77,1%	17 589 341 20,2%						87 243 901 100,0%
Table eggs	947 843 17,3%	940 995 17,2%	305 239 5,6%	1 550 463 28,4%		1 182 839 21,6%			538 178 9,8%	5 465 557 100,0%
Table grapes	2 477 513 7,0%	3 476 023 9,8%	12 080 500 33,9%	6 206 115 17,4%	8 422 114 23,7%				2 931 213 8,2%	35 593 478 100,0%
Wine and grapes	1 961 324 2,1%	15 432 050 16,6%	16 361 084 17,6%	27 304 742 29,4%	31 709 876 34,2%					92 769 076 100,0%
Winter cereal (SACTA)	2 042 027 2,8%		56 367 050 76,9%	14 871 807 20,3%						73 280 884 100,0%
Total	48 829 202	60 072 980	421 316 576	179 226 062	81 015 134	61 152 393	6 613 468	938 373	36 867 535	896 031 723
% spent on function	5,4%	6,7%	47,0%	20,0%	9,0%	6,8%	0,7%	0,1%	4,1%	100,0%



### 3.3 EXPLANATIONS WHY SOME INDUSTRIES DID NOT REACH THE 20% TARGET FOR TRANSFORMATION

#### Cotton

Table 6 of this report indicates that the cotton industry spent only 10.7% or R1 344 349 of its expenditure on transformation. To put this figure into perspective, we must understand that the total cotton statutory levy income for the financial period under review was R7 330 439, while the total expenditure during the same period was R12 527 930. For the past number of years, Cotton SA has generated other income from the provision of grading services, cotton mark royalties, overseeing development projects, investment income, rental income and voluntary contributions by importers of cotton lint outside SADC, to finance their expenditure. The condition of approval is that at least 20% of statutory levy income must be used for transformation activities. This means that the industry spent 18.3% of statutory income on transformation, which means that over the four-year levy period, they can still reach the target to spend at least 20% of statutory levy income on transformation activities.

#### Dairy

The NAMC enquired from Milk SA about why they did not reach the condition of approval that at least 20% of statutory levy income must be used for transformation activities. On 29 September 2022, Milk SA responded that the unavailability of suitable pregnant heifers, as well as a lack of counter-performance by some black entrepreneurs in terms of their contribution towards pasture establishment, sinking of boreholes, parlour equipment, etc., had caused the under-expenditure on transformation activities. In terms of Milk SA's agreements with these entrepreneurs, they need to obtain quotations from service providers and suppliers of capital assets, and contribute the first 50% to the cost, before Milk SA settles the other

50%. Milk SA further indicated that the 20% levy allocations that were not used for transformation were ring-fenced by Milk SA to be spent on transformation activities in the near future. During 2022, Milk SA embarked on a programme to accelerate the expenditure of the accumulated transformation funds, which means that Milk SA will, according to their response, eventually and without undue delay, achieve a minimum of 20% (of statutory levy income) expenditure on transformation. At that stage (29 September 2022), Milk SA had accumulated unused (and ring-fenced) transformation funds of R42 757 622.

#### Deciduous fruit

Currently, the deciduous fruit industry administers three statutory levies, namely a stone & pome general levy, a market access levy (for export promotion), and a Fruitfly Africa levy (for aerial-spraying services). The total expenditure for these statutory levies was R107.6 million for the year under review and the individual expenditure was as follows, namely –

• Pome & stone general levy	R57.8 million
• Market access levy	R16.3 million
• Fruitfly Africa levy	R33.5 million

Since the market access levies and the Fruitfly Africa statutory levies were approved for the first time, these statutory levies were approved without the condition that at least 20% of the income be spent on transformation activities. The main reason for this is that the activities under these functions also benefit black role players.

## Pomegranates

During the period under review, the pomegranate industry only spent R40 995 or 4.1% of levy expenditure on transformation activities. The industry indicated that the Mitford Project (Eastern Cape) only started in September 2021, and that they would report on expenditure in this regard during the next survey period.

## South African Cultivar and Technology Agency (SACTA)

Previously, SACTA was also guilty of not spending at least 20% of statutory levies collected on transformation activities. The audited financial statements of SACTA for the year ended 28 February 2022 indicated that they had spent R32 563 831 on transformation activities. In addition to this, they spent a further R22 371 715 (previously unspent transformation funds that were ring-fenced) on transformation activities. In total, SACTA spent R54 935 546 during the 2021/22 financial year on transformation (refer to page 15 of SACTA's audited financial statements).

The following table indicates the levy surplus or deficit for each industry for the particular year under review:

**Table 6: COMPARISON BETWEEN INCOME AND EXPENDITURE**

Industry	Levy income	Levy expenditure	Surplus/deficit
	R	R	R
Citrus (exported)	254 770 473	220 626 179	34 144 294
Cotton lint	7 330 439	12 527 930	-5 197 491
Dairy products	62 739 378	60 472 749	2 266 629
Deciduous Fruit	139 724 733	107 620 316	32 104 417
***Pome and stone	81 276 141	57 802 917	23 473 224
***Market development	21 526 448	16 321 459	5 204 989
***Fruitfly Africa	36 922 144	33 495 940	3 426 204
Dried fruit	11 616 397	11 616 397	0
Fynbos (proteas)	1 311 632	626 339	685 293
Lucerne	2 710 694	2 711 510	-816
Lupines (SACTA)	509 853	116 782	393 071
Macadamias	33 852 101	35 484 579	-1 632 478
Olives	1 354 292	1 537 743	-183 451
Pecan nuts	6 724 370	6 733 253	-8 883
Pomegranates	872 403	605 791	266 612
Pork	40 212 526	39 890 176	322 350
Potatoes	48 515 521	51 388 369	-2 872 848
Red meat	49 677 110	49 720 713	-43 603
Soybeans (SACTA)	87 336 501	87 243 901	92 600
Table eggs	8 795 046	5 465 557	3 329 489
Table grapes	38 697 413	35 593 478	3 103 935
Wine	115 461 535	92 769 076	22 692 459
Winter cereal (SACTA)	73 843 106	73 280 884	562 222
<b>TOTAL</b>	<b>986 055 523</b>	<b>896 031 722</b>	<b>90 023 801</b>

In the majority of cases, statutory levies are approved for a period of four years. With each application, industries submit a business plan for the duration of the period for the statutory levies, for example four years. Furthermore, the MAP Act stipulates that “any levies collected, administered or kept by any person or body under this Act shall not form part of the assets of that person or body, and 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.”

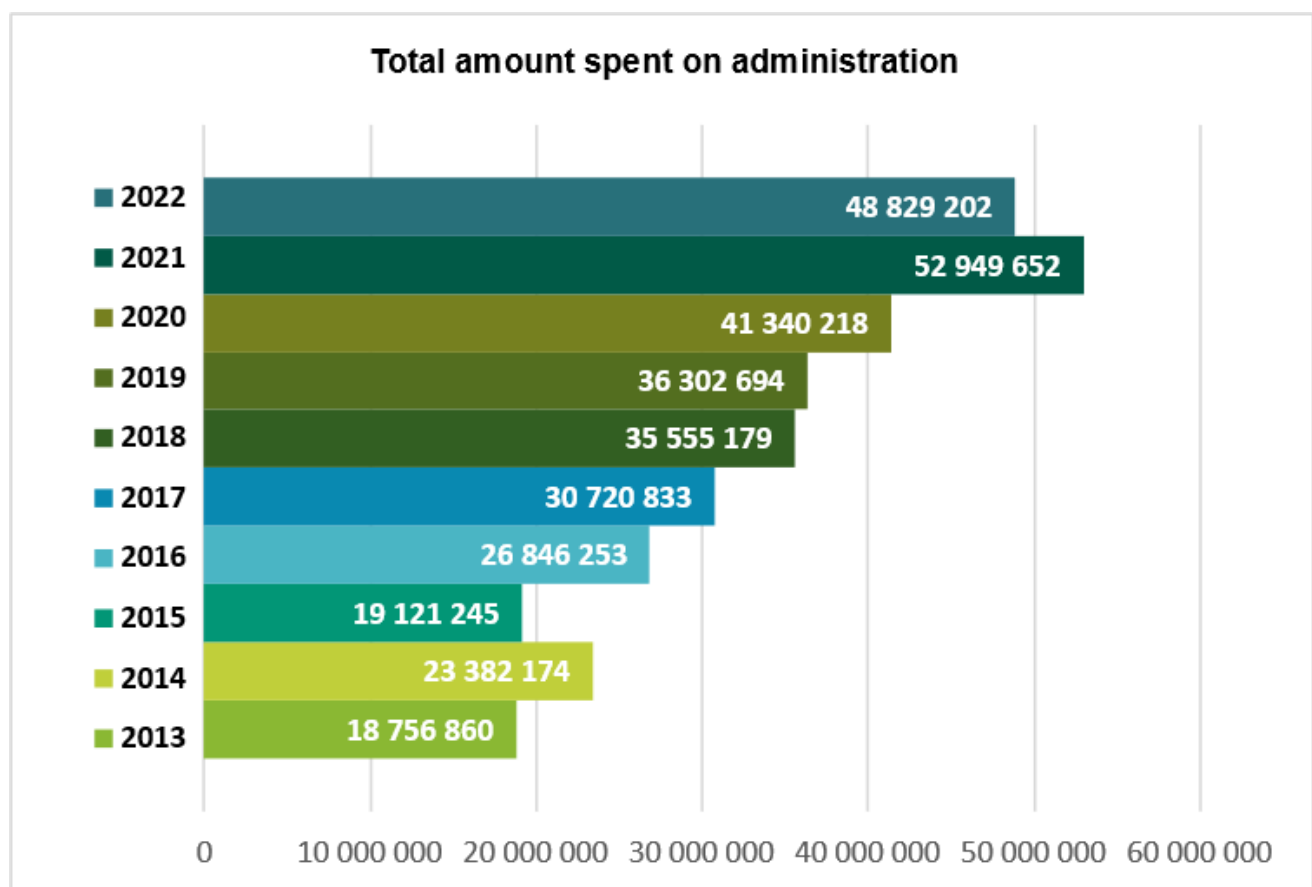
### 3.4 TRENDS IN EXPENDITURE ON SPECIFIC FUNCTIONS

The following pages contain an evaluation of the total spending on generic functions for the past 10 years.

#### 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 2022 survey shows that, in total, all levy administrators spent approximately 5.4% (R48.8 million) of levies collected on administration costs, which is well below the guideline of 10%. Audit fees are one of the major components of administration costs. The figure below indicates the expenditure on administration for the past 10 years.

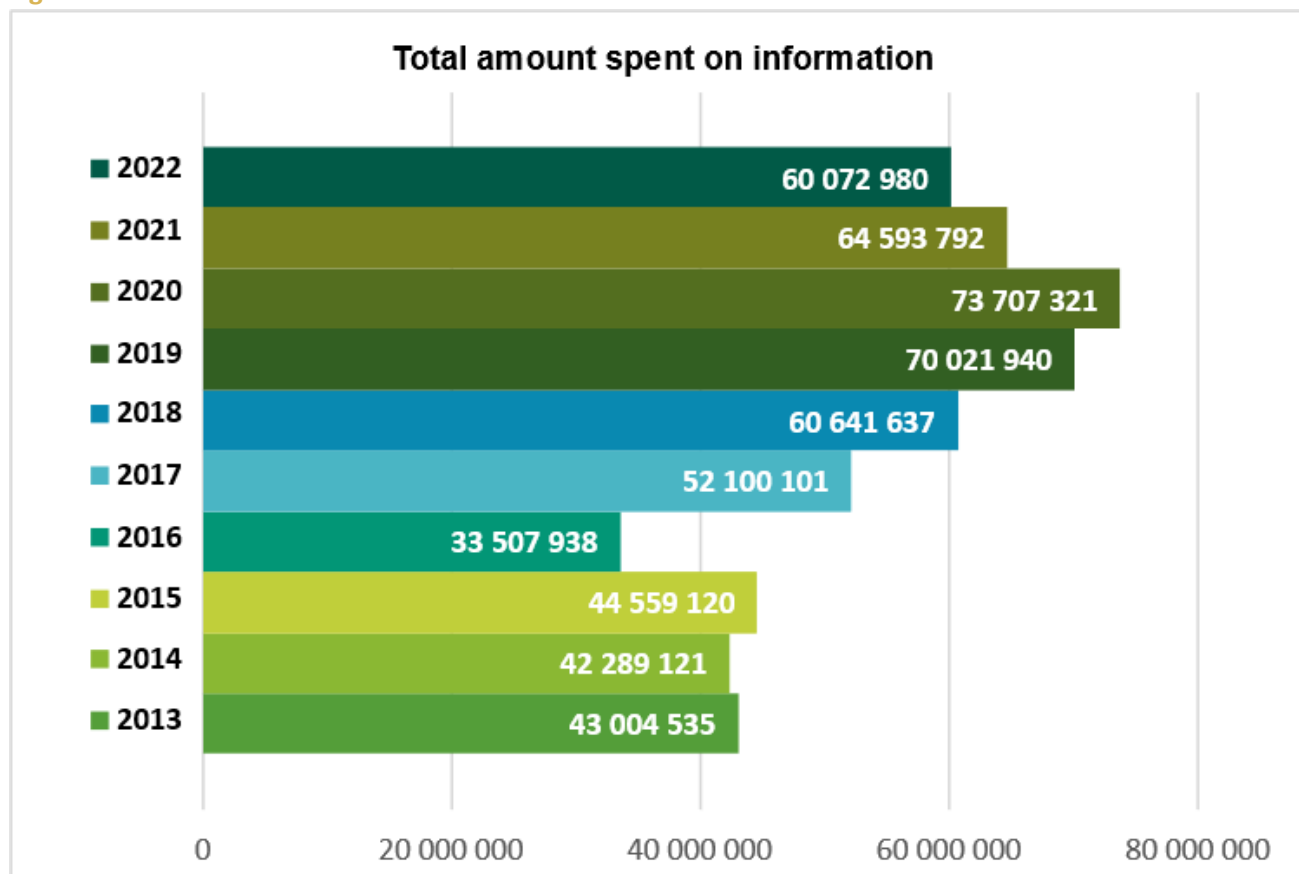
**Figure 1: LEVY FUNDS SPENT ON ADMINISTRATION OVER THE PAST 10 YEARS**



#### Information:

For the 2022 survey, approximately 6.7% (R60.1 million) of total levy expenditure was allocated to the information function.

**Figure 2: LEVY FUNDS SPENT ON INFORMATION OVER THE PAST 10 YEARS**

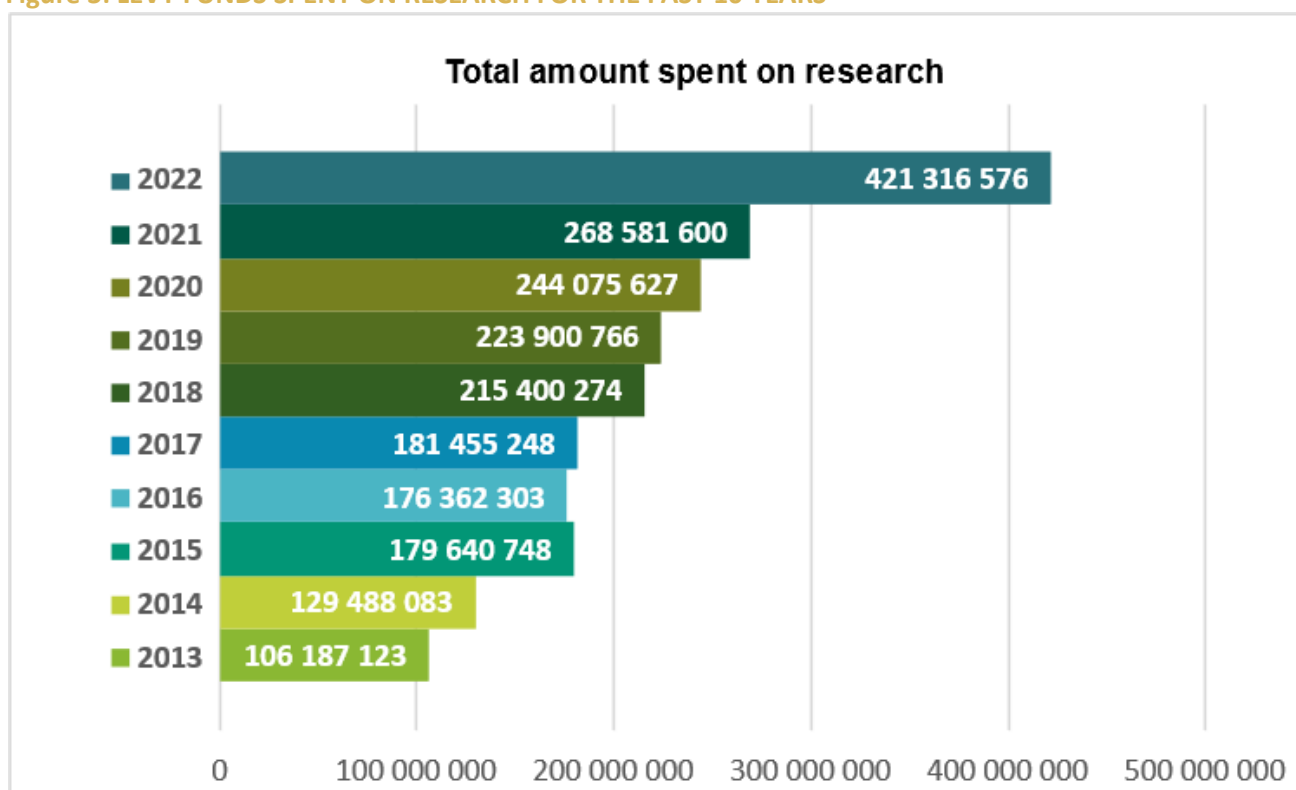




### Research:

Research is the generic function that receives the largest proportion of total statutory levies. A steady increase in levies spent on research is evident over the past 10 years, as indicated in Figure 3. The 2022 survey shows that approximately 47.0% (or R421.3 million) of total levy expenditure was allocated to the research function. The 56.8% increase in the allocation to the research function in the 2022 survey, compared with the 2021 survey, can mainly be attributed to the fact that the citrus, soybean and winter cereal industries decided to spend much more on research, specifically cultivar development, and to finance it by way of statutory levies.

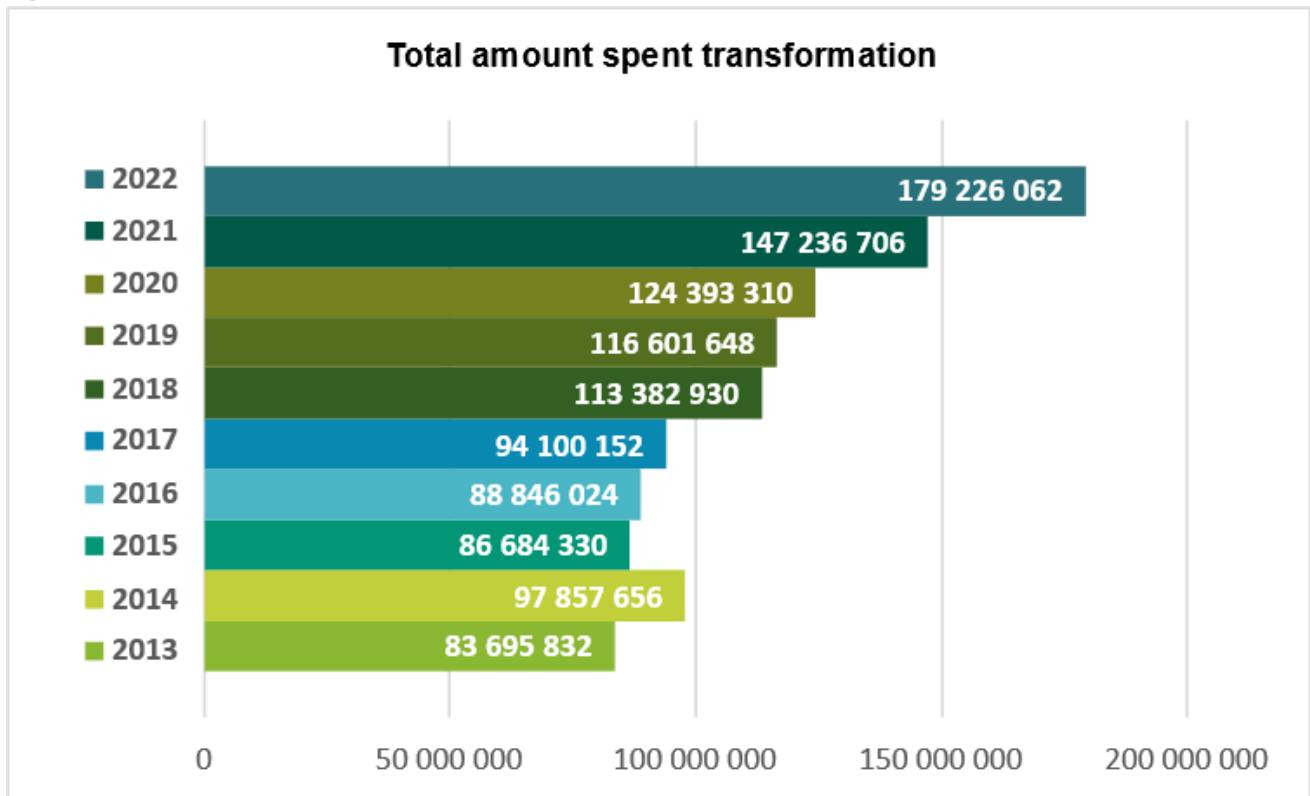
**Figure 3: LEVY FUNDS SPENT ON RESEARCH FOR THE PAST 10 YEARS**



#### Transformation:

According to the 2022 survey, approximately 20.0% (R179.2 million) was spent on transformation projects, compared with R147.4 million reported in the previous survey, being an increase of 21.7%. This is in line with the condition of approval for all statutory levies, namely that at least 20% of statutory levy income must be used for transformation activities.

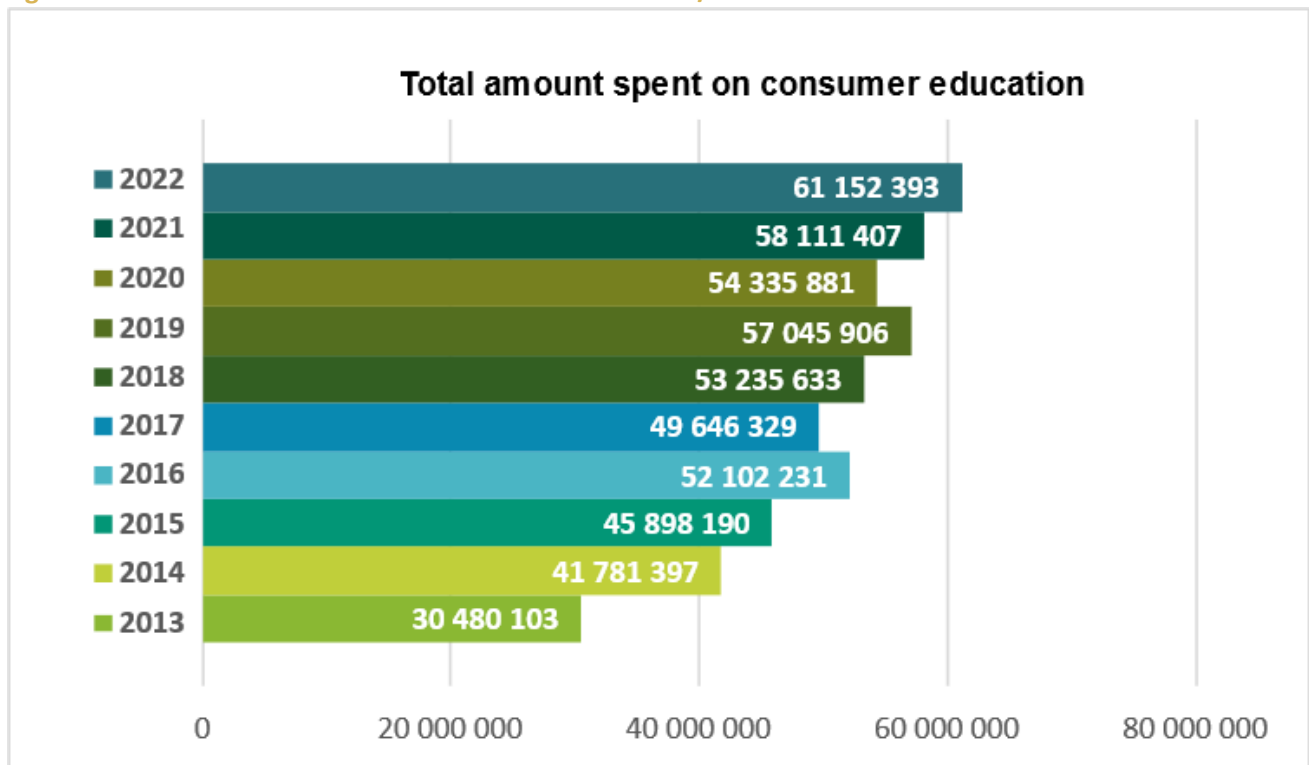
**Figure 4: LEVY FUNDS SPENT ON TRANSFORMATION FOR THE PAST 10 YEARS**



### Consumer education/local promotions:

According to the 2022 survey, approximately 6.8% (R61.2 million) of total levy expenditure was spent on consumer education/local promotions, compared with the R58.1 million reported in the previous survey. The dairy, olive, pork, potato, red meat and table egg industries mainly spent a major part of statutory levies on consumer education/local promotions. The dairy industry allocated 41.1% of levy funds towards this function, while the olive industry allocated 36.4% of levy funds towards consumer education and local promotions for marketing their produce.

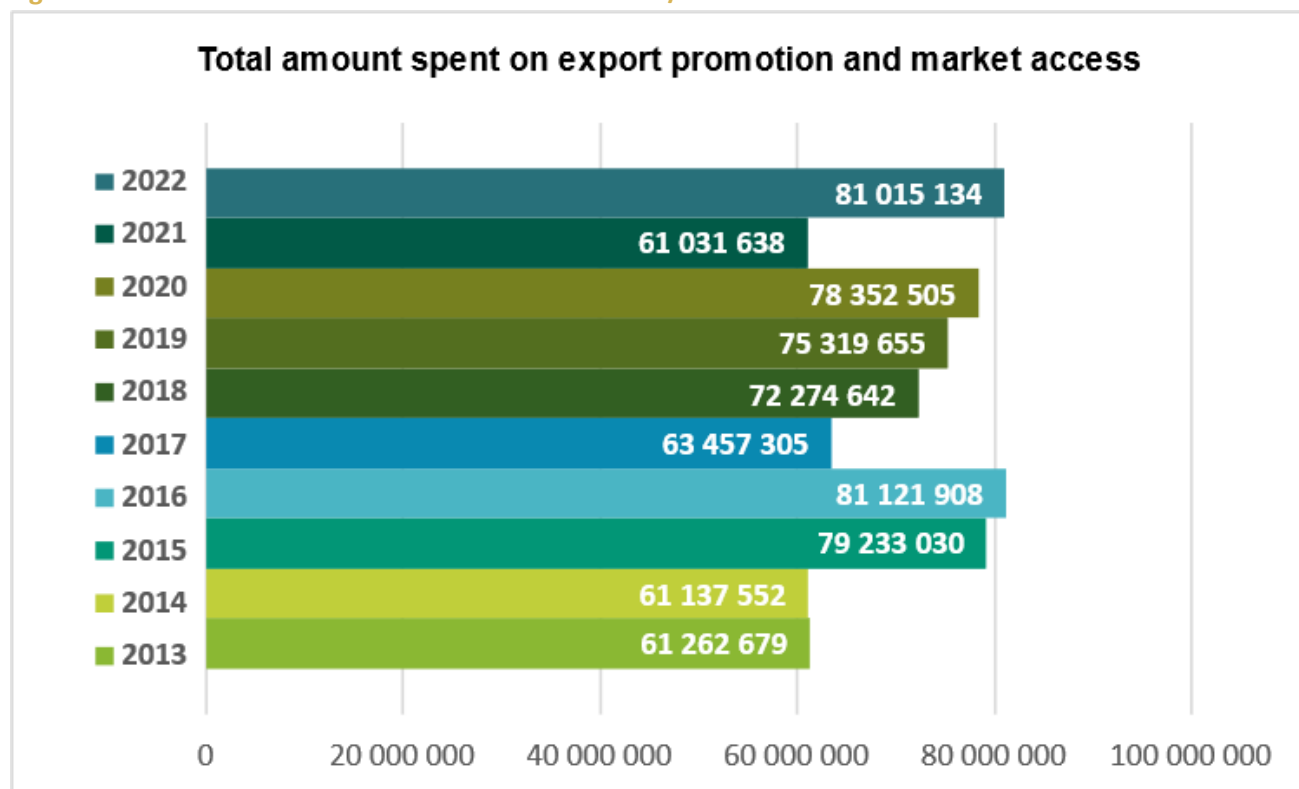
**Figure 5: LEVY FUNDS SPENT ON CONSUMER EDUCATION/LOCAL PROMOTIONS OVER THE PAST 10 YEARS**



#### Export promotion and market access:

The 2022 survey indicated that approximately 9.0% (R81.0 million) of total levy expenditure was allocated to export promotion and market access, compared with the roughly R61.0 million reported in the 2021 survey. The horticultural industries, and more specifically the citrus, deciduous fruit, dried fruit, table grape and wine industries, spent a major portion of their statutory funds on export promotion activities. The market development levy in the deciduous fruit industry is used specifically to fund the market development/consumer education programmes planned in Europe, the Middle East and the Far East.

**Figure 6: LEVY FUNDS SPENT ON EXPORT PROMOTION/MARKET ACCESS OVER THE PAST 10 YEARS**

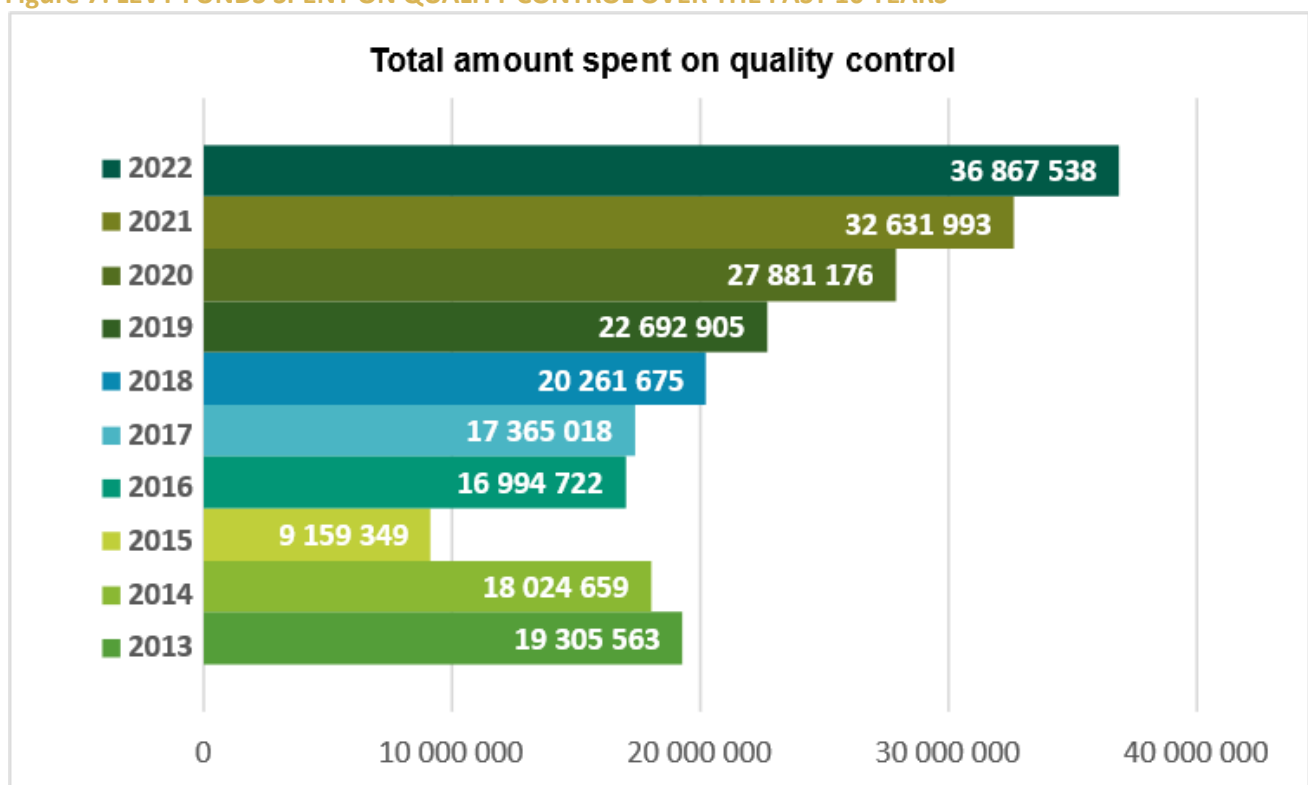




### Quality control:

The function of quality control is becoming more important. It is mainly undertaken by the cotton, dairy, lucerne, pork and red meat industries to ensure that consumers have peace of mind when using their products. These industries spent approximately 20%, each, of the relevant expenditure on the quality control function. Approximately R36.9 million (4.1% of total levy expenditure) was spent on quality control in the 2022 survey.

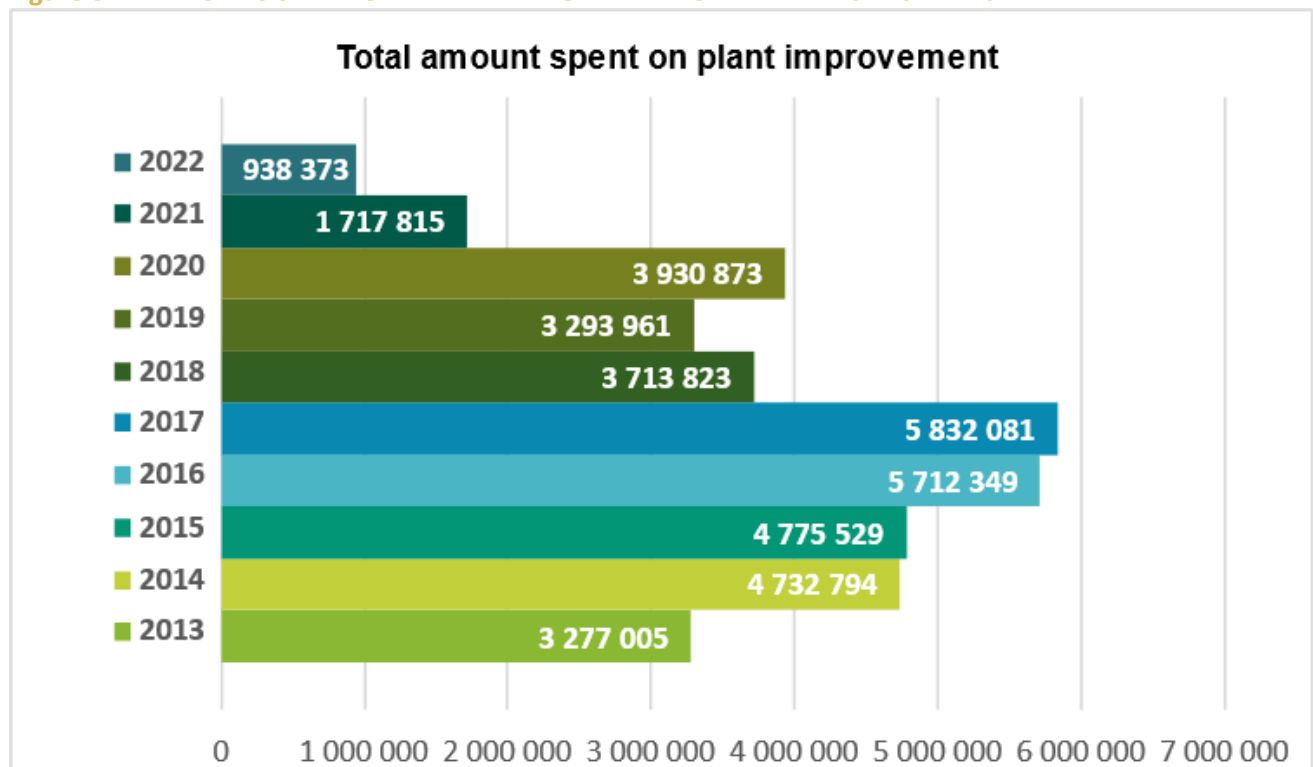
**Figure 7: LEVY FUNDS SPENT ON QUALITY CONTROL OVER THE PAST 10 YEARS**



### Plant improvement:

The deciduous fruit industry spent approximately R0.9 million (0.1% of total levy expenditure) on plant improvement in the 2022 survey. As can be seen in the figure below, over time, much less of the statutory levy funds has been spent on the plant improvement function. The assumption can be made that much of the activities previously financed under the plant improvement function are now being absorbed under the research function.

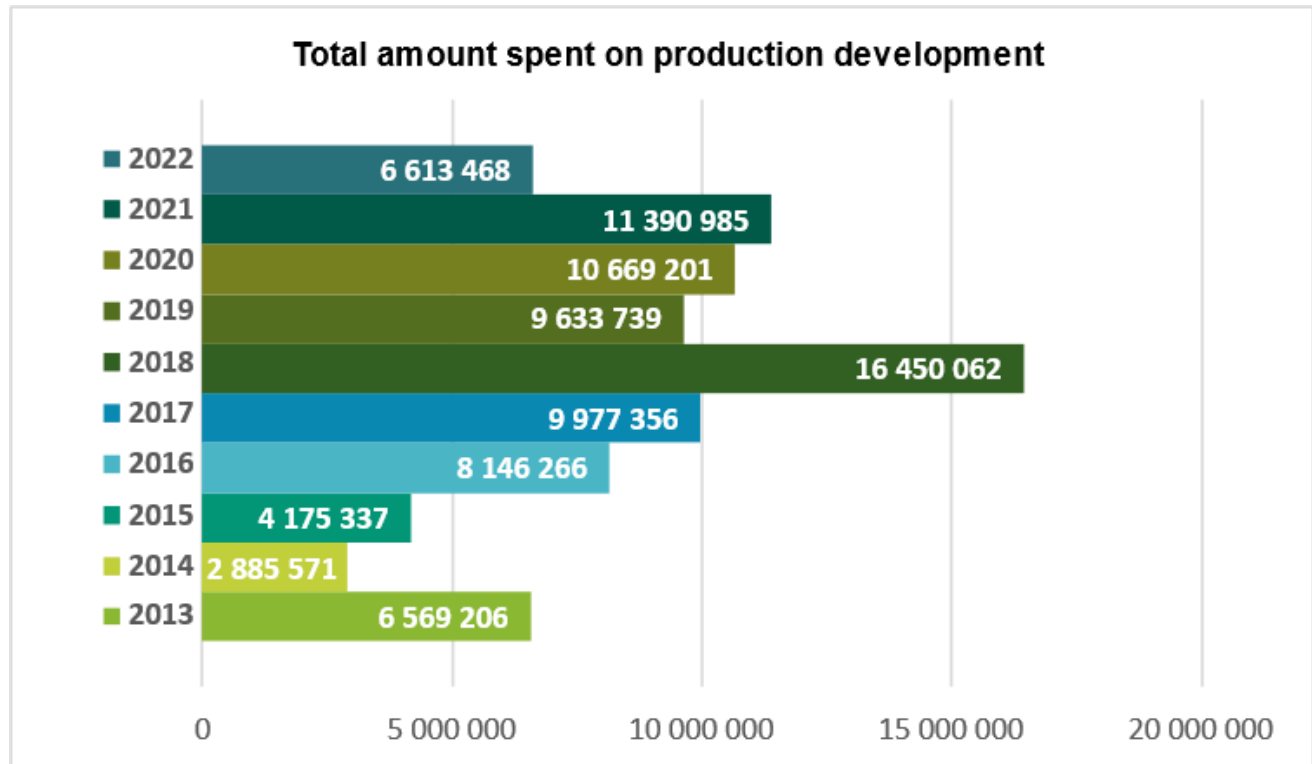
**Figure 8: LEVY FUNDS SPENT ON PLANT IMPROVEMENT OVER THE PAST 10 YEARS**



### Production development

Although only a small percentage of statutory levy expenditure was allocated to production development, the macadamia and red meat industries spent approximately R6.6 million (0.7% of total levy expenditure) on production development.

Figure 9: LEVY FUNDS SPENT ON PRODUCTION DEVELOPMENT OVER THE PAST 10 YEARS



## 4. TRANSFORMATION

### 4.1 NAMC TRANSFORMATION GUIDELINES

The current NAMC transformation guidelines were adopted in April 2018 and can be summarised as follows:

Pillar	Activities (Examples)	%
<b>Enterprise Development</b>	<ul style="list-style-type: none"> <li>• Fund agribusinesses of black-owned farms with the procurement of production infrastructure, material and inputs.</li> <li>• For field crops and horticultural products, the industry shall fund soil preparation services.</li> <li>• For livestock, the industry shall fund the purchase of vaccinations, dosage programmes and veterinary services.</li> <li>• The industry shall fund the cost of accreditation, as well as various legal and professional services (such as Siza or HACCP).</li> <li>• The industry shall assist farmers to access the market, including the facilitation of supply agreements or purchase contracts.</li> <li>• The industry shall fund the development of business plans.</li> <li>• The industry shall explore other funding alternatives to increase the transformation budget (such as CASP, Jobs Fund and others).</li> <li>• The industry shall assist in ensuring that appropriate agricultural infrastructure, machinery and equipment are in place and in good condition (e.g. electricity and water, bio-security measures, etc.).</li> <li>• The industry shall procure materials, inputs and services from black-owned enterprises and agribusinesses.</li> </ul>	60%
<b>Skills Development</b>	<ul style="list-style-type: none"> <li>• The industry shall fund the training and mentoring of farmers and other production chain actors such as propagators, herders, processing staff and marketers, machine and equipment users, mechanics and supervisors to develop their capabilities in order to better manage their farms and agribusinesses.</li> <li>• Training shall be provided by SETA-accredited skills developers in terms of the AgriBEE Charter.</li> <li>• To ensure these capabilities in future to manage their farms and agribusinesses, the industry shall fund bursaries for black people to develop such capabilities.</li> </ul>	18%
<b>Management Control</b>	The industry shall fund the position of transformation manager. Only appointments in this capacity of members of black-designated groups that promote equity shall be funded.	17%
<b>Ownership</b>	The industry itself, or using funding alternatives, shall or can purchase equity in existing enterprises for black-designated groups.	5%
<b>Socio-Economic Development</b>	Industries are encouraged to perform activities that contribute positively to the quality of life of workers and their communities.	

### 4.2 TRANSFORMATION REVIEW COMMITTEE (TRC)

The NAMC has established the Transformation Review Committee (TRC) to review the transformation business plans compiled by levy administrators. In terms of the conditions of approval for statutory levies, levy administrators are required to spend at least 20% of the levy income on transformation activities. Although the activities funded vary per industry, these should be in line with the NAMC's transformation guidelines. Each time an industry applies for the continuation or establishment of statutory levies, the TRC assesses the transformation business plan. Furthermore, on an annual basis, levy administrators submit their annual transformation business plans regarding transformation activities envisaged for a particular financial year. The TRC reviews and approves the proposed transformation activities. The TRC also reviews the previous performance of the industry in terms of transformation activities, and conducts monitoring and evaluation.

#### 4.2.1 REVIEWED INDUSTRY TRANSFORMATION BUSINESS PLANS

The NAMC transformation guidelines focus mainly on the transformation expenditure of 20% of the total levy income, which supports black farmers and agripreneurs in industries that use statutory levies. When industries submit their statutory levies application, a business plan detailing their transformation activities and budget forms part of that application. Five (5) proposals for transformation business plans have been received and reviewed by the TRC during the 2021/22 financial year, namely:

- South Africa Cultivar Technology Association (Lupines);
- South Africa Dairy Industry;
- South African Wine Industry Development and Empowerment Foundation;
- SAPA Egg Organization; and
- South African Wine Industry Transformation Unit

#### 4.2.2 MONITORING AND EVALUATION (M&E) – SITE VISITS

Section 4 of the 2018 NAMC transformation guidelines indicate that, at any given time, the NAMC TRC may conduct site visits at the transformation projects to verify what is happening as part of the monitoring and evaluation of transformation activities. In the 2021/22 financial year, the TRC conducted six (6) transformation site visits to transformation projects implemented by levy administrators, as highlighted below.

##### South African Table Grapes (SATI)

On the 17th and 18th of June 2021, the representatives of the NAMC Transformation Review Committee (TRC), along with the South African Table Grapes Industry (SATI) Transformation Manager, conducted site visits in the Western Cape

Province. The purpose of the visits was to conduct a Monitoring and Evaluation (M&E) process on the progress of the SATI's transformation projects. All the farmers visited appreciated the assistance, and provided feedback regarding the following:

- The assistance with advanced table grapes cultivars and vineyards,
- Infrastructure support, ranging from upgrading to construction of pack houses,
- The assistance with regard to the Environmental Impact Assessment (EIA) and funding applications.

However, they raised the following challenges:

##### • COVID-19

COVID-19 has distracted the market, and prices are always unstable, especially for the producer. The pandemic also caused logistical challenges at the harbour, where farmers sometimes experience a lack of containers for export purposes. Some farmers had to endure high transport costs when transporting their farm workers, as they had to adhere to COVID-19 regulations.

##### • Environmental Impact Assessment (EIA)

The EIA has proven to be very costly for the farmers to attend to, and the time span of the process also poses a great challenge to previously disadvantaged farmers.

##### • Access to funds

There is still a huge challenge for many black farmers to access funding, and although there are some funds made available by the Department of Agriculture, these were never sufficient to address all the farmers' needs, hence their need to borrow from financial institutions.



- **Loss of quality attributable to loss of skilled labour**  
Quality is very important in table grapes production; hence, farm workers have to be very skilled in order to ensure that quality is maintained. However, during the off-season months, farmers tend to lose skilled labour, as they cannot retain them throughout the off-season, and this results in the compromising of their product quality during the season when skilled labour is needed.

- **Access to land**

Lack of access to land or, rather, the provision of land on a rental basis, hinders large investments from being made on the farms.

Pomegranate Association of South Africa (POMASA)

On the 2nd and 3rd of September 2021, the representatives of the NAMC Transformation Review Committee (TRC), along with representatives from POMASA, Chris Hani Development Agency and the Eastern Cape Department of Agriculture, conducted site visits in the Eastern Cape Province. The purpose of the visits was to conduct a Monitoring and Evaluation (M&E) process on the projects and also to assess the possible intervention of POMASA in these projects. Four (4) projects were visited that are currently funded by the farmers individually and by the Eastern Cape Department of Agriculture. The projects experienced different challenges and were at different operating stages. Out of the four (4) projects visited, one in Mitford was identified by POMASA to have the potential to grow, and it is currently supported by POMASA with technical support and SA & Global Gap training. The aim is to promote inclusivity within the pomegranate industry and ensure that all industry role players, specifically the smallholder farmers, are fully supported to become sustainable and competitive.

The following challenges were observed, with some being mentioned by the producers:

- **Lack of operational funds**

The projects have limited funds to operate, and this hinders their success, and although some of the projects have received funds from the Eastern Cape Department of Agriculture, these are still not sufficient to address the challenges experienced by the projects.

- **Lack of technical and management knowledge**

The majority of the beneficiaries of these projects are older people, and most are illiterate, with limited technical and management knowledge to run horticulture farming operations, and this has created a challenge in the daily operations of the projects, including the success and sustainability of the projects.

- **Access to market (local and global GAP)**

The projects do not have access to markets for their products, coupled with having no local or global Gap accreditation. This has caused some of their produce to spoil because of the lack of markets and correct accreditation.

- **Theft and vandalism**

The projects have no security personnel onsite, and this has resulted in vandalism of the irrigation infrastructure and the fencing, which also allows ingress by certain community members and by livestock, who either steal or consume the farmers' produce.

South African Pork Producers' Organisation (SAPPO)

On the 8th and 9th of September 2021, the representatives of the NAMC Transformation Review Committee (TRC), along with SAPPO, conducted site visits in the Mpumalanga Province. The purpose

of the visits was to conduct a Monitoring and Evaluation (M&E) on projects supported by SAPPO in this Province. The TRC team, together with SAPPO, visited two projects that are receiving mentorship and technical assistance from SAPPO. The two projects are not receiving any additional funds, and have the potential to grow and expand. SAPPO aims to ensure that smallholder pork producers are equipped with the right pork production technical knowledge and skills that will enable them to become sustainable enterprises. One of the beneficiaries is under the SAPPO mentorship programme, which includes technical support and veterinary visits, which is very beneficial to them, since veterinary services are costly and biosecurity is a challenge. The beneficiaries visited appreciated the assistance and outlined the following:

- The technical support provided improves their meat quality and farm management skills; and
- The mentorship programme, which runs for three years, assists beneficiaries to gain access to veterinary services.

Some of the challenges highlighted by the beneficiaries include:

- **Lack of infrastructure**

Beneficiaries do not have up-to-date and required infrastructure as recommended by SAPPO.

- **Biosecurity**

The beneficiaries struggle to adhere to biosecurity measures as these are costly and this places their enterprises at risk.

- **Access to land**

The beneficiaries are operating on limited amounts of land, and although they have the potential to grow, they are limited by access to land.

- **Access to water**

The beneficiaries struggle accessing clean water for their pigs because of the lack of water in their areas caused by drought.

#### Potatoes South Africa (PSA)

On the 2nd and 3rd of December 2021, the NAMC Transformation Review Committee took up the invitation by Potatoes South Africa (PSA) to monitor and evaluate some of the transformation projects that PSA is currently implementing with the transformation funds in the Limpopo Province. The invitation was also extended to Potatoes Industry Development Trust (PIDT) trustees, and Potatoes Transformation Committee members. The TRC team, together with PSA, visited five (5) projects that are under the Enterprise Development Programme. The beneficiaries are operating on tribal land with Permission to Occupy Certificates, and the projects are receiving support from Potatoes South Africa through their Enterprise Development Programme, and the Limpopo Department of Agriculture and Rural Development (LDARD) is assisting with funding and the procurement of machinery, construction of irrigation infrastructure, and provision of production inputs. The aim of PSA is to ensure that transformation initiatives promote the inclusivity of black role players within the potato industry and also to create commercially sustainable enterprises. The beneficiaries visited stated that they appreciated the assistance and outlined the following:

- Access to industry and sector role players, which allows the beneficiaries to form mutual partnerships (VBK and Novon);
- The Enterprise Development Programme allows the beneficiaries to receive good seeds from PSA, which are very costly;
- PSA has formed a good relationship with the LDARD, and the LDARD is now assisting the farmers, based on their needs as highlighted by PSA, in relation to potato production; and
- Some of the beneficiaries were able to access production capital, with the assistance of PSA.

Against all the positives outlined, the beneficiaries identified and highlighted the following challenges:

- Access to funding for construction of a packhouse;
- Lack of potato sorting, washing, and packaging machines;
- Irrigation schedule disruptions caused by load shedding;
- Lack of access to funding to acquire a bigger potato planter and harvester;
- Market access to sell to the National Fresh Produce Markets;
- Access to affordable finance for machinery and infrastructure; and
- Inability to use the farms as collateral to obtain bank financing.

#### Hortfin (Hortgro)

On the 6th and 7th of December 2021 the NAMC Transformation Review Committee took up the invitation by Hortgro to monitor and evaluate some of the transformation projects that are currently being supported through the Hortfin loan in the Western Cape Province. The invitation was also extended to the Department of Agriculture, Land Reform and Rural Development (DALRRD), the Western Cape Department of Agriculture, and Hortfin employees. The team, together with Hortgro, visited four projects that are being supported by Hortfin. The projects are also receiving additional support from the DALRRD, Western Cape Department of Agriculture, Jobs Fund and the South African Table Grapes Industry. The purpose of Hortfin is to ensure that black farmers have access to affordable credit, with reasonable interest rates that farmers can afford, which would allow them to acquire production and operational capital in order to participate competitively and remain sustainable in the fruit industry and sector as a whole.

The beneficiaries, together with Hortgro, have formed a very good relationship and the relationship has created a positive impact that benefits both the industry and beneficiaries. The beneficiaries visited appreciated the assistance and outlined the following:

- The access to finance facilitated by Hortfin has helped the beneficiaries to access funds required to improve their enterprises, even though they were not receiving any approval for funding from the commercial banks.
- The Hortfin loan allows beneficiaries to unlock further funds, while giving them ease of repayment of the loan.
- The beneficiaries were able to access production capital through Hortfin loans, allowing them to plant on time.

The projects experience a variety of challenges that have been identified, and some of these challenges hinder the success of these projects to become commercially viable according to the industry standards, and it is important to note that not all these challenges can be resolved by the Hortfin loan, but require coordinated support. The challenges are as follows:

- Access to funding from commercial banks;
- Access to sufficient land for purposes of expansion;
- Lack of water for irrigation; and
- Inability to use the farms as collateral to obtain bank financing.

#### South African Wine Transformation Unit (SAWITU)

On the 31st of March and 1st of April 2022, the NAMC Transformation Review Committee (TRC) took up the invitation made by the SAWITU to monitor and evaluate some of the transformation

projects that are currently being supported by SAWITU with statutory levy transformation funds in the Western Cape Province. The invitation was also extended to the DALRRD, the Western Cape Department of Agriculture, Proudly South Africa, and the Department of Trade Industry and Competition. The purpose of the visit was to monitor and evaluate the projects supported, and also to establish collaborations and partnerships between the above-mentioned stakeholders for ensuring that there is coordinated support for the beneficiaries, while also improving the market share and competitiveness of black-owned wine brands. A total of four (4) projects were visited and these included the Wine Arc, which is the home of black-owned wine brands established to accommodate and facilitate the marketing and distribution of their brands. The majority of the projects visited were based on AgriBEE partnerships, but with plans to make the previously disadvantaged individuals the majority shareholders. The positives highlighted and identified by the beneficiaries include:

- The projects are benefiting from foreign currency, since they sell most of their wines overseas;
- Most of the beneficiaries have winemaking experience and technical expertise;
- Most of the projects have established trusts in order to benefit the farmworkers and the farming community; and
- SAWITU is endeavouring to increase the wine market share by promoting responsible drinking through wine education.

Against all the positives identified and highlighted by the beneficiaries, the following challenges were observed:

- Black-owned brands are still finding it difficult to penetrate the retailer and restaurant markets, where the demand for wine is high;
- The lack of access to land for vineyard production, as the majority of black-owned brands do not own land;
- Lack of access to commercial finance by black-owned brands; and
- COVID-19 has had a very negative impact on black-owned brands, some of which had to close for businesses.

#### **4.2.3 INDUSTRY TRANSFORMATION COMMITTEE MEETINGS**

As a means of strengthening relationships and observing and guiding industry transformation activities, NAMC TRC members have participated in various industry transformation committees. For the period under review, the TRC participated in the following transformation committees:

- Potatoes South Africa (PSA) Transformation Committee meeting;
- Raisins South Africa Transformation Committee meeting;
- South African Poultry Association (SAPA) Transformation Committee meeting; and
- South African Pork Producers' Organisation (SAPPO) Business Development Committee meeting.

#### 4.3 TRANSFORMATION ACTIVITIES FUNDED FROM LEVY INCOME

Levy administrators indicated that they had spent transformation funds pertaining to the pillars of transformation as follows:

**Table 7: PERFORMANCE ON PILLARS OF TRANSFORMATION**

	2022 Pillars of transformation			
	Enterprise development	Skills development	Employment equity, Management control, Socio economic development, Ownership	Total spent on transformation
	(guideline 60%)	(guideline 18%)	(guideline 22%)	
Citrus (exported)	33 500 000	6 000 000	4 542 956	44 042 956
Cotton lint	183 024	1 138 885	22 440	1 344 349
Dairy products	4 666 781		2 302 571	6 969 352
Deciduous fruit	10 115 216	253 809	2 544 179	12 913 204
Deciduous fruit fly	771 024		20 000	791 024
Dried fruit	1 393 968	418 190	511 121	2 323 279
Fynbos (proteas)	95 119	66 458		161 577
Lucerne	460 076	126 236	47 326	633 638
Macadamias	3 671 547	1 736 406	1 956 608	7 364 561
Olives	77 455	290 000	62 500	429 955
Pecan nuts	1 115 381	318 766	129 868	1 564 015
Pomegranates	40 995			40 995
Pork	5 056 124	2 670 839	2 791 372	10 518 335
Potatoes	8 685 653	845 339	3 378 878	12 909 870
Red meat	5 756 281	1 726 884	2 110 637	9 593 802
SACTA (lupines, soybeans & winter cereals)	26 283 681	2 291 750	3 988 400	32 563 831
Table eggs	989 252	561 210	0	1 550 462
Table grapes	3 993 785	708 930	1 503 400	6 206 115
Wine	22 234 440	1 162 500	3 907 802	27 304 742
<b>TOTAL</b>	<b>129 089 802</b>	<b>20 316 202</b>	<b>29 820 058</b>	<b>179 226 062</b>
	<b>72,0%</b>	<b>11,3%</b>	<b>16,6%</b>	<b>100,0%</b>

**Table 7** shows that roughly R129.1 million or 72.0% of total transformation expenditure was aimed at enterprise development, while approximately R20.3 million or 11.3% was spent on skills development, and about R29.8 million or 16.6% was spent on employment equity, management control, ownership, etc. These figures highlight the point that the expenditure on transformation is in line with the NAMC transformation guidelines.

This compares with the 2021 survey of approximately R101.2 million or 68.8% spent on enterprise development, R20.6 million or 14.0% spent on skills development, and R25.4 million or 17.2% spent on employment equity, management control, ownership, etc.



#### 4.4 INDUSTRY INFORMATION

The following table contains information on total production by the industries concerned, indicating the developing farmers' and BEE partnerships' share in production, as reported by the administrators of statutory levies.

**Table 8: PRODUCTION INFORMATION**

Production 2022				
	Commercial	Developing	Partnerships	Total
Citrus (exported - tons)	2 879 911	200 000	Unknown	3 079 911
Cotton lint (tons)	26 174	1 370	118	27 662
Dairy products (tons)	3 403 100	2 877	Unknown	3 405 977
Deciduous fruit (tons)	836 341	84 833	305 130	1 226 304
Dried fruit (wet tons)	69 680	3 000	Unknown	72 680
Fynbos (proteas - stems)	29 721 796	938 583	625 722	31 286 101
Lucerne (tons)	417 318	Unknown	Unknown	417 318
Lupines (SACTA) (tons)	Unknown	Unknown	Unknown	Unknown
Macadamias (tons)	53 049	536	Unknown	53 585
Olives (tons)	8 404	173	87	8 664
Pecan nuts (tons)	18 606	566	40	19 212
Pomegranates (tons)	5 228	782	655	6 665
Pork (kg - 82 kg Carcass)	250 013 482	40 353 683	Unknown	290 367 165
Potatoes (tons)	2 600 000	Unknown	Unknown	2 600 000
Red meat (tons)	767 000	313 000	17 000	1 097 000
Soybeans (SACTA) (tons)	Unknown	Unknown	Unknown	Unknown
Table eggs (million dozen eggs)	650 000	57 000	Unknown	707 000
Table grapes (tons)	283 554	30 147	23 319	337 020
Wine (tons)	1 431 922	4 647	23 044	1 459 613
Winter cereal (SACTA) (tons)	1 857 433	22 567	Unknown	1 880 000

The information in the above table cannot be used as evidence that industries have made progress with transformation. It should be kept in mind that these figures are, in some cases, estimated by administrators and cannot be verified. These figures presented are production volumes that reached the formal market, while informal trade and subsistence farming in these industries are excluded.

The following information reflects the number of producers in the industries concerned, which was also obtained from the administrators of statutory measures:

**Table 9: PRODUCER INFORMATION**

Number of Producers 2022				
	Commercial	Developing	Partnerships	Total
Citrus (exported)	1 200	124	Unknown	1 324
Cotton lint	310	950	130	1 390
Dairy products	984	21	Unknown	1 005
Deciduous fruit	1 081	40	37	1 158
Dried fruit	569	132	Unknown	701
Fynbos (proteas)	94	5	2	101
Lucerne	263	Unknown	Unknown	263
Lupines (SACTA) (tons)	Unknown	Unknown	Unknown	Unknown
Macadamias	602	348	4	954
Olives	190	2	2	194
Pecan nuts	619	80	1	700
Pomegranates	59	3	2	64
Pork	120	407		527
Potatoes	513	Unknown	Unknown	513
Red meat	18 000	250 000	2 000	270 000
Soybeans (SACTA) (tons)	Unknown	Unknown	Unknown	Unknown
Table eggs	144	198	Unknown	342
Table grapes	235	35	25	295
Wine	2 557	30	26	2 613
Winter cereal (SACTA) (tons)	1 730	262	Unknown	1 992

The administrators of statutory measures stated in many instances that the relevant information is not available. Most administrators only have information on the developing farmers included in their specific transformation projects. The NAMC will keep on encouraging administrators to obtain as much information as possible in order to promote, monitor and evaluate the progress with transformation in the agricultural sector. It is also important for government and industry bodies to work together in developing these databases.

It is evident that, although there are many developing farmers and BEE partnerships in certain industries such as the cotton, pork and red meat industries, production lags far behind when compared with commercial farming because of a lack of resources, as well as a lack of a co-ordinated approach to the commercialisation of black producers and other constraints.



#### 4.5 TRANSFORMATION SUCCESS STORIES

For the 2022 survey, levy administrators were also requested to share some of the success stories (involving transformation objectives) regarding transformation programmes in their industries. Some of the industries responded as follows:

##### **Citrus (exported)**

The Citrus Growers' Association (CGA), through its business and technical support programmes, managed to develop several enterprise development proposals that were presented to provincial and national government departments, as well as development agencies, in pursuit of additional support for our growers.

- The Economic Transformation of Black Citrus Growers Programme (JF8/1388) has been successfully submitted and is currently being implemented, and a number of citrus businesses are benefiting from this project.
- The Enterprise Development Fund is assisting farmers with inputs, mechanisation, infrastructure and new plantations to increase the hectareage under black-owned citrus businesses. They have seen a major impact and change in businesses ever since the levy was increased.

- Provisions of business and technical support to the developing growers, with compliance accreditation, which allows the growers to participate in export markets. Through study groups and one-on-one extension support, the industry has observed an increase in output for export and local market coming from black citrus producers attributable to good quality fruit.
- The CGA's Grower Development Company was established to assist black citrus growers. Currently, 78 black citrus growers are exporting to international markets. The Grower Development Company has observed a number of new growers entering the citrus industry, and they are receiving adequate support to grow their businesses.

##### **Cotton**

With the Smallholder Cotton Farmer Forum, Cotton SA now has representatives in all regions of South Africa where cotton is produced. The aim of Cotton SA is to increase the production levels of cotton smallholders from the current relative low levels to at least 20% of national cotton production. The strategic plan provides that most of the cotton gins will facilitate and promote the growth of smallholder cotton production with a firm commitment. Cotton SA will continue to serve the projects with training, mentoring services and project management.

Cotton SA has also signed a memorandum of understanding with the Department of Agriculture and Development in the Limpopo Province. The purpose of the agreement is to investigate the opportunities for cotton production in the remote rural areas in former homeland regions, as they have some of the best conditions and soil for cotton cultivation.

### **Dairy**

Milk SA reported the following transformation success stories in the South African dairy industry, namely –

- The beneficiaries receiving assistance through dairy statutory funds were able to secure quality dairy animals and produce good quality milk.
- The majority of black dairy entrepreneurs have secured an established market and have good relationships with milk buyers.
- Black dairy entrepreneurs have better appreciation of the importance of dairy herd health management, dairy animal nutrition, proper fodder flow and feeding, business activities record keeping, and slowly developing an entrepreneurial mind-set.
- Although substantial challenges have been encountered, the black dairy entrepreneurs continued to be supported (under the Enterprise Development programme) with equipment, infrastructure, pregnant heifers, fodder flow, skills and knowledge. A system of partial payment by the beneficiaries for the afore-mentioned goods and services has been introduced. A number of new potential beneficiaries have been identified for assessment.
- For the past 10 years, Milk SA has contributed successfully to the sustainable commercialisation of 20 smallholder dairy enterprises.

### **Dried vine fruit**

Success stories in the dried vine fruit industry, include the following –

- The industry managed to secure funding to assist seven women to help them with input costs and also plant additional hectares in the future;
- The Department of Agriculture in the Western Cape Province has deployed four of their extension officers to be trained by the industry, which should help to increase capacity in future;
- The industry placed and trained 54 graduates throughout the value chain and also with emerging growers to assist on farms; and
- Providing a revolving credit facility with three packers, which is assisting 70 growers with harvest funding and pruning funds. The packers are matching the funds made available by the industry.

### **Deciduous fruit**

The most recent economic development programme being implemented within the pome and stone fruit industry (2018–2023) is Hortfin. Hortfin is R600 million debt-funding instrument for providing loans to previously excluded groups that would result in job creation and economic growth, if access to finance is provided. The target market of this programme comprises black-owned businesses with the ability to become sustainable and viable. This is done through public–private partnership with the National Treasury via the Jobs Fund, Landbank, FNB, and the industry (pome, stone, table and wine grapes). This programme also provides a model for a blended-finance scheme within the agricultural sector.

### **Lucerne**

The agricultural sector is a key economic driver and determines the viability of many communities throughout South Africa, especially in the rural areas of our country. The local and international markets for lucerne hay and seed products present a great opportunity for the establishment, and sustainable growth and development of smallholder lucerne farmers.

The goal of the NLT's Enterprise and Supplier Development Programme is to assist in the sustainable growth and development of smallholder farmers to grow and produce commercially, in a sustainable way. Smallholder farmers depend on access to good quality seed, which is fundamental to their production systems. During the year under review, the NLT donated lucerne seed to smallholder farmers in the North West Province, the Western Cape and Eastern Cape Provinces. The NLT also focused on exposing the farmers to market-related information. During December 2020, the NLT also provided a Near-Infrared Spectrophotometer [NIR-instrument], used for the grading / certification of lucerne hay, in Somerset East in the Eastern Cape Province. Going forward, farmers will thus have the opportunity to conduct analyses of their hay product for sale, at no cost to them.

### **Macadamias**

Macadamias South Africa indicated that, during the past year, they successfully assisted with expanding the transformation sector by 35 hectares, creating 35 new employment opportunities. According to them, they have a very successful and comprehensive enterprise development programme in place, and monitor the progress and growth of their emerging farmers effectively.

### **Olives**

SA Olive is currently supporting two new PDI entrants with guidance, training, promotion, networking, introductions and access to funding. Both individuals are establishing their own olive oil brand, while buying in oil from producers, and both of them may consider growing olives, only once their businesses are established. This seems to be a more viable model to get into industry than acquiring land and growing olives, and the risks are minimal as compared with the agricultural side.

### **Potatoes**

Potatoes SA has been embarking on an enterprise development programme with the main aim to gradually commercialise black farmers. The service level agreement between Potatoes South Africa and the LDARD came into fruition when an amount of R30 million was approved by LDARD for the implementation of all the enterprise development projects. This injection of funds by Government has ensured that all the farmers will be able to prepare for expansion, and it has also ensured that the crops are well taken care of, as they are provided with all the inputs. The average tonnage of all the farmers participating in the programme is steadily increasing, with some farmers producing an average of 60 tons/ha, and above.



Potatoes SA is also deeply involved in the mentorship of the enterprise development farmers. One of the important criteria to participate in the enterprise development programme is that there must be a mentor in place. The mentorship programme has gained momentum, with the farmers seeing its value and, in some instances, making recommendations on how the mentorship should be structured for their benefit. The mentorship, provided by some willing commercial farmers, has brought tremendous knowledge to the enterprise development farmers, which has, in turn, resulted in improved tonnages being produced during harvest.

#### **Table eggs**

The year 2021 saw the launch of the Egg Organization's new transformation model, entitled Amakip-kip, which aims to bring about measurable change by drawing historically disadvantaged small-scale egg farmers into the mainstream economy. The NAMC's transformation guidelines are to be applied in the implementation of the model. In the year 2022, about two to four beneficiaries with 5 000 hens or less are to be identified and funded intensively, through the provision of soft loans to a maximum value of R500 000. Seventy-five percent of the loan will be repayable within 15 months, and of the remainder, 20% will be in the form of a grant and 5% will be used for administration purposes (developing a business plan). An additional number of farmers will be able to access funding for other purposes. The Egg Organization will also leverage this initiative by partnering with other institutions such as the Jobs Fund, the Land bank, and the Industrial Development Cooperation.

#### **Table grapes**

The purpose of most transformation activities in the table grape industry is to assist back farmers to produce products that are acceptable for the export market. With the assistance of statutory levies, the number of cartons exported by black farmers has increased significantly, and these farmers are also able to access to new cultivars and achieve better yields. Black farmers are increasingly being serviced by a network of commercial agriculture interests, so that business ethnics and systems will be improved at farm level.

#### **Wine**

During the period under review, the wine industry spent approximately R7.2 million to assist 26 Black Owned Brands (BOB) with grant funding to purchase marketing materials, packaging materials and promotional materials, and to pay for accounting services and cover travel costs. The BOB were identified through a solicited application process and independent adjudication. Evaluations concluded between a 0 and 80% increase in sales volumes recorded. A few brands also reported gaining new international and local listings, and accessing new markets. Furthermore, the wine industry spent approximately R6.7 million to provide infrastructure development, acquisition of manufacturing assets, equipment, etc. to 17 black-owned wine farms.

A Brand Home facility has also been established for BOB as a means of achieving local and international market access. The facility will assist with sales, provide a tasting venue, and promote marketing activities for these companies. An amount of approximately R3.9 million was spent in this regard during the financial year.

## 5. CHALLENGES EXPERIENCED BY ADMINISTRATORS

As part of the 2022 survey, administrators of statutory measures were requested to highlight any challenges experienced by them that need to be considered by the NAMC and the Minister. Some of the responses were as follows:

### Dairy

Milk SA, the administrator of the dairy statutory measures, recorded the following challenges they experienced during 2021 regarding the administration of statutory measures, namely –

- The penalties in respect of the MAP Act are insufficient to deter defaulting (non-compliant) role players. For example, a certain role player owes Milk SA ±R1.1 million for the past four years, and is in contempt of court for the third time in a row, and does not contest court applications.
- In terms of a previous court judgment, an administrator of statutory measures is not allowed to enforce the regulations once lapsed (after 4 years). This is a reality that should be dealt with urgently. In practice, this means that all the registered role players may opt not to submit returns and pay the levies in respect of December 2021, as they are due only in the next month (January 2022) when the previous regulations (2018-2021) have already lapsed. An inspector also does not have any powers to inspect their books in terms of lapsed regulations, nor does Milk SA have powers to demand payment of levies found not paid in terms of periods when previous regulations were valid.
- The process to get an inspector designated by the Minister takes too long.

### Dried vine fruit

Raisins South Africa highlighted the following challenges experienced in the dried vine fruit industry, namely –

- Outstanding title deeds need to be issued to growers in the Eksteenskuil community (approximately 30);
- Support from government needs to address barriers that prevent them from move forward with development;
- Source of Funds; unlocking bulk funding with a good mix between grant and loan funds;
- Good corporate governance needs to be addressed on farms;
- Issues with accessing land through leases with Public Works of unused land; and
- Extension service support to emerging growers.

### Olives

According to the olive industry, driving transformation in the olive industry is challenging. It is an industry with high barriers to entry from an agricultural perspective: the long lead times from planting to production, alternate bearing patterns, rising input costs, and tight profit margins are just some of the factors that make growing olives less attractive than other crops are to potential new entrants. Added to this is South African consumers' insufficient product knowledge to choose local olive oil over the lower-quality, subsidised, imported alternatives.

Establishing which companies are involved in importing olive products, and the monthly volumes imported by each, remains a challenge. This information is only made available to SA Olive in an anonymised, aggregate form. Unless we can identify all the entities that ought to be complying with the statutory measures, we will never be able to ensure their registration and submission of records and returns, with the consequent loss of levy income and underestimation of market parameters. A safer alternative would be to have levies placed on imported olive products, which are collected at the point of import. This would require a partnership between NAMC and SARS to develop an efficient collection protocol, with a guarantee that any levies collected are paid over to SA Olive.

### Potatoes

According to Potatoes SA, it remains a challenge to make sure that all potential statutory levy income is collected. They are still in a privileged position to be able to collect a high percentage of the levies through the packaging material manufacturers and processors. However, ensuring that all potential statutory levies are collected will require an integrated system and the cooperation of all players in the industry to achieve the necessary cross-verification. The marketing of potatoes that is not done in the usual packaging has the potential to currently circumvent the payment of the levy.

Secondly, Potatoes SA indicated that the fresh-produce markets are critical for food security in South Africa. Many South Africans are depending on these markets to procure their food, and some South Africans use these markets to make a living. The deterioration of these markets not only threatens the potato industry, but also threatens the livelihoods of these customers. It also threatens the price formulation of produce, since the prices

of produce are determined through a free-market system. This results in the prices of produce being transparent. Since 2015, the sales of potatoes around the markets has started increasing, where in 2020, the amount of sales around the markets was more than the number of potatoes bags sold on the fresh-produce markets. This shows the trend that more and more farmers are not sending their produce to the fresh-produce markets. With direct sales (sales around the market), the transparency of the sales becomes lost, which poses a threat to the price formulation, and which may translate to higher food prices for consumers.

### Table eggs

In April 2021, an outbreak of highly pathogenic avian influenza (HPAI) of subtype H5N1 was a cause for great concern in South Africa, as the northern hemisphere had been contending with widespread infections during its winter of 2020/21. By the end of the year, 129 cases in South Africa had been reported to the World Organisation for Animal Health (OIE), and almost 2.5 million laying hens had been culled. Egg producers in Western Cape were the hardest hit, losing an estimated 21.5% of their laying flock, and strict biosecurity procedures continued to be implemented on farms.

## 6. CONCLUSIONS

This report on the status of statutory measures, compiled by the NAMC for submission to the Minister, focuses on the various levies collected by the 20 agricultural industries concerned, and on the status of transformation funded by means of statutory levy income.

Despite the COVID-19 pandemic, the 2022 survey indicates that statutory levy administrators managed to collect approximately R986.1 million, which is 21.9% more than the approximately R809.9 million that was collected in the 2021 survey. The 2022 survey also indicated that administrators spent R896.0 million on generic functions, which is 28.3% more than reported in the 2021 survey. With the above figures in mind, administrators currently have surplus funds of approximately R90.0 million to be spent in terms of the relevant approved business plans.

Regarding the trend in the allocation of statutory funds over the past 10 years, it is evident that functions, such as research, quality control and transformation, are proportionally receiving more in funds, while functions such as information, plant improvement and production development are receiving proportionally less in funds.

This report also includes the challenges that administrators experienced during the period under review, highlights some success stories regarding transformation activities in the relevant industries, and provides information about the important role that the NAMC's Transformation Review Committee is playing in conducting site visits to the transformation projects, as part of the monitoring and evaluation of transformation activities.

In conclusion, the NAMC wishes to thank the statutory measure administrators who supplied the necessary information, as well as the Minister's office and DALRRD for their efficient assistance in the processing of applications for the implementation, amendment and continuation of statutory measures.



## ANNEXURE A

### CONTACT DETAILS OF LEVY ADMINISTRATORS AND TRANSFORMATION MANAGERS

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Promoting market access for South African agriculture

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