



## ***Transformation Coordination and Facilitation***

(PRJ-0089-2015)

***Milk SA***

***Year 2015*** (January 2015 till December 2015)

### **Project goals**

#### **Goal 1 - Implementation of sustainable commercialization dairy programme**

##### ***Achievements***

##### **1.1 Electrification of farms**

As reported during the previous annual report, electricity had been brought to six farms. However, two of the farms were not using electricity. One was not using electricity due to faulty connections to the milking parlour while the other entrepreneur was not using it because low number of cows which were being milked. The main highlight of electrification of farms is the saving of at least 50% of the cost they used to incur while using diesel and generators.

Two farms have been identified to be electrified at a cost of about R560 000 during the next financial year

##### **1.2 Supply of heifers**

The supply of heifers is dependent largely on the preparedness of the entrepreneur to receive them in terms of fodder flow situation and the availability of preferred dairy breed heifers. To ensure that farmers receive heifers of acceptable quality, Milk SA make use of an independent livestock broker and independent dairy enterprise expert to ensure value for money. During the year under review no heifers were supplied due to inadequate fodder on the farms and outstanding qualifying information from other potential project beneficiaries. Currently negotiations are taking place among farmers, Jobs Fund and a certain financial institution to ensure sufficient working capital to buy feed to safeguard animals already supplied. At the time of writing the report, 123 heifers had already been supplied to eight farmers. The balance heifers of 277 are to be supplied during 2016 and 2017 depending on the weather circumstances.

##### **1.3 Milking machines**

Eight milking machines have been upgraded during the period under review. Six of these milking machines were dysfunctional from the date of delivery and parts had to be ordered from overseas.

##### **1.4 Pasture establishment**

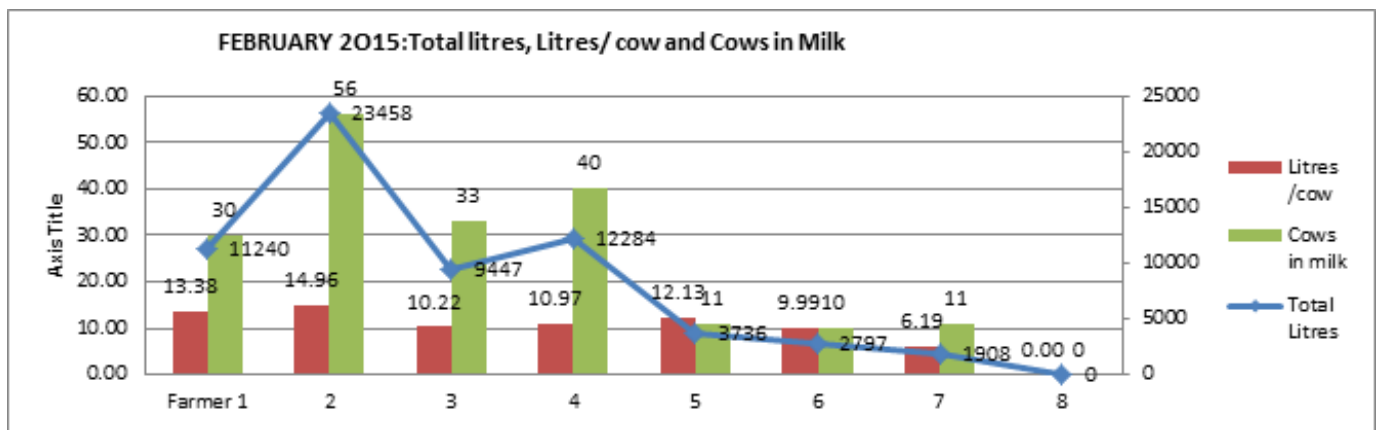
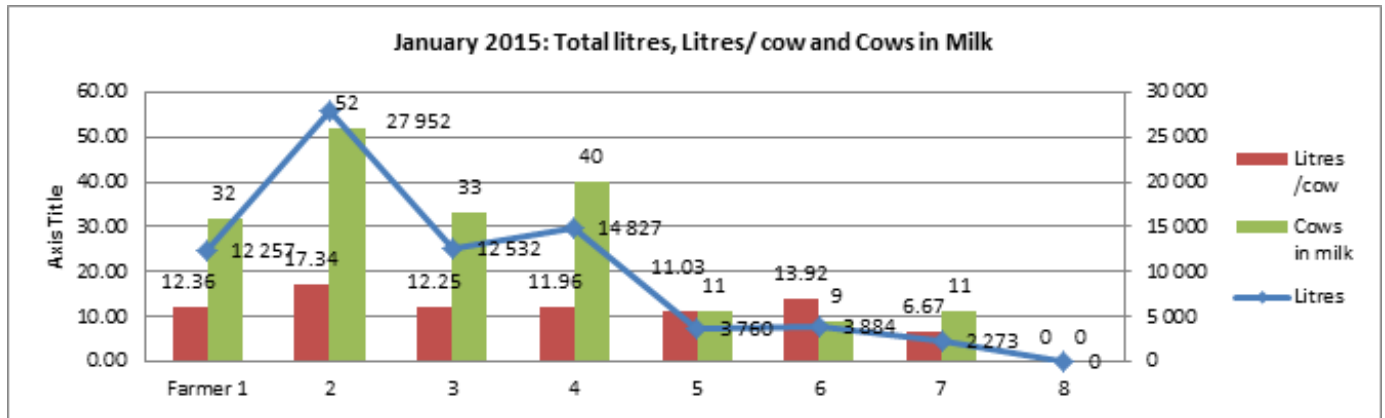
This project intends to establish at least ten hectares of permanent pasture per farm to ensure optimal flow of fodder all year round. During the year under review, project beneficiaries were advised to plough their land for pasture establishment by December 2015 to ensure that planting happened during a rainy season.

However, due to the current severe drought experienced since last summer and unavailability of tractors, no permanent pasture has been planted. This activity has been deferred to a later time

when it will start to rain, hopefully from September to December 2016.

### 1.5 Volume of milk delivered to buyers

Eight farmers have delivered five hundred and ninety four thousand three hundred and forty four litres (594 344 l) of milk during the period under review. This is about 6% increase from the previous year delivery of 559 211 litres. The little increase from the previous year can be attributed to drought, poor breeding and feeding programmes. During 2016 Milk SA will assist project beneficiaries with feed during winter to contribute to cow productivity.



<

**No Non-achievements / underperformance has been reported**

### Goal 2 - Smallholder dairy entrepreneur database

#### Achievements

Data on black dairy entrepreneurs has been maintained. The matter has also been discussed with the National Agricultural Marketing Council regarding the supply of data on black dairy enterprises. It was agreed that it was not the responsibility for Milk SA alone to keep and provide data on black dairy enterprises. In the meantime a draft data governance charter has been developed to ensure entrepreneur privacy is honoured and information to outside people is clearly motivated and approved before given.

**No Non-achievements / underperformance has been reported**

### Goal 3 - General Liaison / Stakeholder engagement

#### Achievements

## **African Farmers Association of South Africa (AFASA) Workshop**

During the period under review an AFASA workshop was attended on the 28th January 2015 to discuss commodity transformation progress, challenges and strategies to bring about meaningful transformation in agriculture. Milk SA's approach of assisting existing dairy entrepreneurs was shared with participants of the workshop. One participant expressed that Milk SA was not doing enough to facilitate transformation but failed to substantiate his claim. The workshop was nonetheless reminded that Milk SA was just one of the role-players and that it alone could not be held responsible for the pace of transformation as it did not have unlimited resources and, the fact that agricultural development was the competency of provincial agriculture. At the end of the day, it was agreed that dairy enterprises were complex and needed full attention of the entrepreneur.

## **Agro Processing Forum**

**One Agro Processing Forum** conference was attended during the period under review. It was held in Polokwane on the 23rd September 2015. Jobs Fund, IDC, the DTI, AgriSA, AFASA, Limpopo Department of Agriculture representatives explained what their institutions do to promote marketing of agricultural products. Small scale- agribusiness entrepreneurs were also participants of the workshop.

## **Agricultural Marketing Forum**

Three **Agricultural Marketing Forum** conferences were attended to during the year under review. At these meetings commodity transformation managers were requested to share with conference delegates their experiences regarding transformation. Milk SA submitted its document which was submitted to the board previously. According to DAFF, documents submitted at the conferences would be taken to the department of Rural Development and Land Reform. Each of these meetings was held in Cape Town, Pretoria and Tzaneen respectively. The focus of the meetings was on what can be done to assist small holder agricultural enterprise market their products effectively and efficiently. What was learnt was that dairy was not a priority in terms of the agricultural policy action programme in some of the provinces.

## **Agri-SA meeting**

The Integrated Farmers Forum meeting under the auspices of Agri-SA took place on the 22nd September 2015. The focus of the meeting was on the communal land tenure system and its impact on agricultural development.

## **Department of Trade and Industry**

During the period under review a representative of the DTI was taken to see dairy enterprises in KwaZulu- Natal and Free State. The purpose of the visit was to assess the situation for potential intervention to assist entrepreneurs who were already processing raw milk into other dairy products to become more sustainable. Those who were already processing own milk were given application forms to apply for DTI's assistance incentives. The challenge is that at times potential beneficiaries are less competent to fill the forms while at times, even those who are capable financially and skill-wise, still want work to be done for them but not proactive to approach those who can assist.

## **NAMC (National Agricultural Marketing Council)**

A few engagements were made with the NAMC: Chair of NAMC Transformation Review Committee, Senior Manager: Statutory Measures and its CEO regarding transformation guidelines, the commercialization project progress and challenges, participation of black dairy entrepreneurs in dairy processing and enterprise development expenditure.

NAMC was informed of the work which was being done by MilkSA and its challenges regarding transformation in the dairy industry. The main challenge was adequate fodder flow and working capital on some farms. The chairperson of the NAMC's Transformation Review Committee was, however, appreciative of the work which was being done by Milk SA.

Emphasis was made to the NAMC that Milk SA was focused on making sustainable impact which in turn also demands total commitment from transformation programme beneficiaries and other relevant stakeholders/role players.

During the year under review, a workshop was also organised by NAMC on norms and standards regarding the support for agricultural development. The workshop was held in Johannesburg and the following points, which were deliberated on by the workshop, are pertinent to Milk SA regarding transformation programme:

Proper selection of farmers and projects is of paramount importance

Research was fragmented and funds driven

Extension officers must be facilitators and communicators

Training should take place before giving money to farmers

There should be an assessment of skills against type of enterprise to be undertaken

Group farming was not appropriate to fast-track development

There must be clear responsibilities of mentor and mentee

Knowledge should be co-created by all involved in training

Support for farmers must follow a value chain and must deliver specific results such as economic development, economic transformation, and competitiveness among other metrics.

### **Provincial Transformation Workshops**

During the year under review, four dairy industry transformation workshops were held in the following provinces: Western Cape , 17th November 2015; Free State, 20th November 2015 at QWAQWA; Kwazulu- Natal was held on the 01 December 2015 at Ixopo and Mpumalanga, 9th December 2015 at Mbombela.

The purpose of the workshops was to build relationship, share experiences and promote partnership in development.

Participation at the workshops was as follows:

Western Cape : 24

Free State : 33

KZN : 61

Mpumalanga : 43

The theme of the workshops was “**Enterprise Culture+ Productivity + Efficiency+ Quality Products/ Service = Competitiveness and Sustainability**”.

The workshop covered the following aspects:

Milk SA's role in dairy development

Milk SA's dairy industry transformation programme activities

Provincial Departments of Agriculture's position regarding small dairy development, challenges and opportunities

Levy payers and levy rates

Strategies to support survival, competitiveness and sustainability of small dairy enterprises

International dairy competitiveness

Feeding dairy cows for productivity and profitability

Factors influencing milk price

Participants of the workshops highlighted the following as challenges facing small scale dairy entrepreneurs:

High cost of land

High cost of equipment and mechanization

High infrastructure maintenance and replacement cost

High cost of labour

High energy cost

Farmers complained about poor service delivery and empty promises.

As strategies for enhancing small dairy entrepreneur success, participants made the following recommendations:

Entrepreneur farmers should form study groups

Entrepreneur farmers should form commodity groups in order to improve delivery of both private and public assistance

Entrepreneurs should buy feeds as a group in order to get discounts

Enterprises should be run simply and efficiently

Feeding should be correct to ensure high % of butterfat and protein as important factors,

including quality, in price determination.

### **Agricultural Value Chain Workshop**

The Department of Rural Development and Land Reform and the Department of Agriculture, Forestry and Fisheries organized a workshop during the period under review. Milk SA was requested to provide its transformation strategy and the document which previously had been submitted to the Transformation Advisory Committee, Milk SA Board and DAFF was submitted but no response had been received.

### **Department of Trade and Industry**

Enquiries were received from the DTI regarding dairy processors and black dairy entrepreneurs. The matter was referred to SAMPRO for their attention. Furthermore, the Competition Commission also made a request of the list of black dairy entrepreneurs. They were advised that the list was not for public consumption and that they should approach organization which claimed were working with small black dairy entrepreneurs.

### **Various role-players**

Meetings were held with other various role-players regarding transformation programme. These include Dairy for Life project manager, Fort Hair Dairy Manager, and some commercial farmers.

### **Department of Agriculture, Forestry and Fisheries (DAFF):**

Communication was maintained with DAFF, especially **BEE Directorate to be kept abreast of BEE issues** and various provincial departments of agriculture and Marketing Directorate. DAFF was pointed to the nearby dairy enterprise to expose visitors from abroad.

## ***No Non-achievements / underperformance has been reported***

### **Goal 4 - Transformation strategic plan**

#### ***Achievements***

n/a

## ***No Non-achievements / underperformance has been reported***

### **Goal 5 - Competency development**

#### ***Achievements***

#### **Competency Development (Develop business competency of aspirant dairy entrepreneurs)**

No formal training took place during the period under review. It is believed intensive training will take place from April 2016 when farming activities will be scaled down and service providers properly briefed will be ready to assist.

***No Non-achievements / underperformance has been reported***

## **Income and expenditure statement**

|                                    |                           |
|------------------------------------|---------------------------|
| Income and expenditure statement   | No file has been uploaded |
| Unnecessary spending during period | No                        |

## **Popular Report**

No file has been uploaded

## **Additional documentation**

No file has been uploaded

## **Statement**

|   |     |
|---|-----|
| Levy funds were applied only for the purposes stated in the contract  | Yes |
| Levy funds were applied in an appropriate and accountable manner  | Yes |
| Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure | Yes |
| The information provided in the report is correct   | Yes |