



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

(PRJ-0089-2015)

### ***Milk SA***

***Quarter 4 2015*** (October 2015 till December 2015)

## **Project goals**

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

#### ***Achievements***

This report covers activities performed during October-December 2015 focusing on the Sustainable Commercialization Project. The report covers the following sub-titles:- National Treasury/Jobs Fund, private veterinary services, Eskom, pasture establishment, milking machines, heifer procurement, emerging dairy entrepreneur data, emerging farmer competency development and general transformation liaison.

#### **National Treasury /Jobs Fund**

The report for October- December 2015 has been submitted on due date, the 12th January 2015. The project manager sent email requesting evidence of our matched funding . Since matched funding had already been uploaded when the report was submitted he was referred to it and was satisfied. Performance of targets is as follows:

1. Permanent employees: during the period under review 0 new permanent jobs were created against a target of 8.
2. Seasonal employees: during the period under review 0 seasonal jobs were achieved against a target of 4.
3. Number of cows in milk: There were 215 cows in milk during the period under review against a target of 270.
4. Milk Production Volume: 200 589 litres of milk were delivered to the buyer during the period under review against a target of 364 500 litres of milk.
5. Monitoring & Evaluation- three visits per farmer were made during the period under review. Furthermore, three Work Group meetings were held as against a target of 1. During these meetings fodder flow situations were assessed and discussed, cow productivity is reviewed, loan applications discussed, report by private vet was discussed and all critical factors for enterprise success were discussed with a view to come up with solutions where there were challenges.
6. Number of dairy cows procured-no cows were procured during the period under review. The livestock broker found some animals during the period under review but they could not be delivered due to drought and inadequate reserve feeds.
7. Numbers of farms electrified-there were no farms electrified during the period under review but faulty wiring of the milking parlours was corrected on four farms.
8. Number of milking parlours constructed: no milking parlours were constructed as reported previously that milking parlours have been constructed by Department of Agriculture: Free State provincial government.
9. Permanent pasture established: due to the current severe drought and lack of irrigation pasture could not be established during the period under review. This is planned to be done during the second half of 2016 when it starts to rain and warm up. Ploughing will be done by farmers themselves as independent ploughing service contractors could not be secured.

10. Number of trained beneficiaries-no formal training took place but eight farmers were mentored during the period under review.

### **Veterinary services**

During the period under review three farm visits were made to three farmers by the Vet as indicated below.

#### **PRIAVATE VETERINARY SERVICES RENDERED TO QWAQWA FARMERS DURING APRIL-JUNE 2015**

<b>Farmer No and</b>	<b>Observations by the Vet</b>	<b>Treatment administered and advice given</b>	<b>Recommendations /Advice given</b>
<b>Farmer 1 visited on 07/12/2015</b>	Only 11 of the 40 cows were pregnant but some of the cows were not examined. Needs improvement: The body condition score (BCS) of these cows was low, thus the problem with conception. At least 9 cows calved in July or earlier and should have been pregnant again. Feed was finished and although it was December there weren't any good rains.	None given	Record keeping needed improved
<b>Farmer 6 visited on 09/12/2015</b>	Good: 12 of the 20 cows were pregnant and would calf in the next 4 to 5 months. Need improvement: The BCS was not that bad but could be improved. At the time of visit it was very dry and food was scarce.	None	Record keeping needed improved
<b>Farmer 7 visited on 11/12/2015</b>	Good points: 5 cows conceived even during the drought. Record keeping was good. Needs improvement: The general Body Condition Score was very low. The cows needed feed and preferably concentrate. Farmer 7 had no more money to buy feed and it was very dry. A very big concern was that 6 of the non-pregnant cows had calved more than 7 months ago and should have been pregnant a long time ago. The cows can't get pregnant if they are too skinny.	None	Feed supply needed improved

### **Eskom**

All farmers are connected to electricity. However, one farmer was not using electricity for milking because voltage was low but it has since been corrected by Eskom. Monthly usage charges range from R1 500 to R6 000 per month.

Quotations for two farms are estimated at R304 320 and R254 730 respectively, giving us a total of R559 050 which is against the total balance for electricity connection of R690 078. The initial electricity connection budget was R4 150 000 for ten farms but so far only six farms have been connected at a total cost R3 459 922 due to cost escalation since budget was estimated almost four years ago.

Farmers have been advised to approach Eskom to find out how long it could take to connect electricity to the farms if money were paid and the answer was that it would about six months.

### **Pasture establishment and fodder flow**

No pasture has been established during the period under review although some farmers had prepared land for that.

### **Milking machines**

All milking machines have been assessed during December 2015 by DSA and the report would be available during the first quarter of 2016. One farmer was still not using her milking machine because of faulty connections.

### **Heifer supplies**

There were no heifers supplied during the period under review due to poor fodder situation on

some of the farms that are still owed cows. Heifers which were found for delivery during the period under review were also not delivered because of drought and insufficient feed on the farms. So far only two farmers have each been supplied with the total numbers of twenty heifers and the following farmers are still being owed heifers as follows:

- Farmer 1: 4 cows owed
- Farmer 2: 0 cows owed
- Farmer 3: 6 cows owed
- Farmer 4: 0 cows owed
- Farmer 5: 10
- Farmer 6: 10 cows owed
- Farmer 7: 3 cows owed
- Farmer 8: 4 cows owed

### **Project Annual Audit Report.**

The 2015 annual audit report had been supplied to the Jobs Fund and nothing so far had been heard from them about the project.

### **Other potential funders of dairy transformation projects.**

Two meetings were held with representatives of Old Mutual- Masisizane Fund in Harrismith. Masisizane Fund explained the conditions of their loan finance and those farmers interested have made applications. Due to the drought situation, Old Mutual indicated that they would not advance any financial loans to the farmers but the application would be revisited if it rained.

### **Project Meetings**

The Work Group met four times during the period under review to assess Project progress and devise ways to deal with project challenges to ensure implementation in time.

The Project Internal Management Committee met once during the period under review to assess Project progress and to advise on the future implementation plan. 2016 Project targets and budget were discussed and approved by the Internal Management Committee.

During the same period a meeting was held with Jobs Fund Project Manager to discuss project targets and challenges facing the project. A submission was also made to the Jobs Fund regarding drought implications for delivery of project targets. It was reported that the project finish date is December 2016, that a letter of offer should be signed by both the farmer and the employment offeree, that Jobs Fund Project Manager would visit the project in February 2016 and the annual project audit should be done by 31 March 2016.

### **Internal Audit Project Meeting**

The auditor wanted to know if the Project structure was adequate and whether project targets would be met. Also, it was advised that budget column must be inserted although this has already been catered for. The audit report is still awaited.

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

DSA visited the farms during the period under review to assess hygiene and compliance aspects of the milking parlours. Report on the assessment of milking parlours is expected during the 1st quarter of 2016. It is expected that the report will highlight areas where training and knowledge development should be conducted. Training on record keeping did also not take place as previously planned but hopefully would also take place during the first quarter of 2016.

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

## **Goal 2 - Smallholder dairy entrepreneur database**

## **Achievements**

Data is updated as and when new information is found. During the period under review two potential participants made enquiries to Milk SA and attended to.

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

### **Goal 3 - General Liaison / Stakeholder engagement**

#### **Achievements**

##### **Provincial Workshops**

**During the period under review, four dairy industry transformation workshops were held in the following provinces:**

Western Cape was held on 17th November 2015

Free State was held on the 20th November 2015 at QWAQWA

Kwazulu- Natal was held on the 01 December 2015 at Ixopo

Mpumalanga was held on the 9th December 2015

**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 transformation programme activities.

Provincial positions regarding small dairy development, challenges and opportunities.

Levy payers and levy rates.

Challenges facing small dairy enterprises in South Africa.

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.

##### **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.

##### **General recommendations:**

Farmers should form study groups.

Farmers should form commodity groups in order to improve delivery of both private and public assistance.

Farmers should buy feeds as a group in order to get discounts.

Simple and efficient enterprises.

High % of butterfat and protein is important in price determination.

##### **Marketing and Agro Processing Forums**

The Marketing Forum meeting which was held at Empangeni, KZN during the period under review could not be attended to due to other commitments.

During the period under review communication was kept active with a representative of DTI dealing with dairy. Unfortunately his seniors did not approve his participation in our provincial dairy transformation workshops.

##### **Meeting with NAMC**

A meeting was held with the NAMC: Chair of the Transformation Review Committee regarding transformation guidelines, the commercialization project in general and enterprise development specifically. Another meeting was also held with the CEO of NAMC and the CEO of SAMPRO regarding participation of black dairy entrepreneurs in dairy processing. It was brought to the attention of NAMC representative that Milk SA was working on the matter and that they would receive Transformation budget in January 2015.

### **Individual Farmer Performance**

This section of the report covers individual farmer performance in terms of kilogrammes of milk produced, milk butterfat % and milk protein % during the period under review

#### **Individual farmer milk production in kilogrammes during October-December 2015**

Farmer 1 milked 52 cows in October, 52 cows in November and 54 cows in December with an average of 11.6, 11.56 and 9.08 litres per cow per day respectively.

Farmer 2 milked 44 cows in October, 46 cows in November and 47 cows in December with an average of 17.85, 16.83 and 17.07 litres per cow per day respectively.

Farmer 3 milked 29 cows in October, 33 cows in November and 40 cows in December with an average of 8.7, 7.13 and 6.58 litres per cow per day respectively.

Farmer 4 milked 33 cows in October, 30 cows in November and 29 cows in December with an average of 9.2, 9.89 and 9.19 litres per cow per day respectively.

Farmer 5 milked 10 cows in October, 10 cows in November and another 10 cows in December with an average of 6.18, 4.78 and 6.56 litres per cow per day respectively.

Farmer 6 milked 12 cows in October, 12 cows in November and another 12 cows in December with an average of 4.96, 6.15 and 6.59 litres per cow per day respectively.

Farmer 7 milked 21 cows in October, 20 cows in November and 21 cows in December with an average of 4.9, 4.03 and 4.27 litres per cow per day respectively.

Farmer 8 milked 9 cows in October, 9 cows in November and other 9 cows in December with an average of 5.39, 7.84 and 8.32 litres per cow per day respectively.

#### **Individual farmer milk butterfat % situation during October-December 2015**

Milk produced by farmer 1 had 3.37%, 3.58% and 3.45% of butterfat during October, November and December respectively.

Milk produced by farmer 2 had 3.77%, 3.63% and 2.99% of butterfat during October, November and December respectively.

Milk produced by farmer 3 had 3.62%, 3.46% and 2.76% of butterfat during October, November and December respectively.

Milk produced by farmer 4 had 3.31%, 3.40% and 3.54% of butterfat during October, November and December respectively.

Milk produced by farmer 5 had 3.5%, 3.81% and 3.51% of butterfat during October, November and December respectively.

Milk produced by farmer 6 had 3.01%, 3.18% and 2.34% of butterfat during October, November and December respectively.

Milk produced by farmer 7 had 3.43%, 3.47% and 3.50% of butterfat during October, November and December respectively.

Milk produced by farmer 8 had 3.6%, 3.26% and 3.79% of butterfat during October, November and December respectively.

#### **Individual farmer milk protein % situation during October-December 2015**

Milk produced by farmer 1 had 2.91%, 2.93% and 3.11% of protein during October, November and December respectively.

Milk produced by farmer 2 had 3.12%, 3.04% and 3.11% of protein during October, November and December respectively.

Milk produced by farmer 3 had 3.22%, 3.06% and 3.33% of protein during October, November and December respectively.

Milk produced by farmer 4 had 3.02%, 3.02% and 2.97% of protein during October, November and December respectively.

Milk produced by farmer 5 had 2.97%, 2.95% and 2.83% of protein during October, November and December respectively.

Milk produced by farmer 6 had 3.05%, 3.08% and 3.38% of protein during October, November and December respectively.

Milk produced by farmer 7 had 2.82%, 2.86% and 2.98% of protein during October, November and December respectively.

Milk produced by farmer 8 had 3.1%, 3.27% and 3.36% of protein during October, November and December respectively.

## Department of Trade and Industry

During the period under review a representative of DTI was taken to see farmers in Kwazulu-Natal and Free State to assess the situation for potential intervention to assist farmers become more sustainable. Farmers who were already processing own milk were given forms to apply for assistance.

## Communication with Department of Agriculture, Forestry and Fisheries (DAFF) and Provincial Agriculture

Communication was maintained with DAFF and various provincial departments of agriculture.

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

## Goal 4 - Transformation strategic plan

### Achievements

The document has been submitted a year ago and in the absence of any new development there is nothing to report. It should also be realized that government has the authority over funding such programmes and MilkSA only participates as a partner.

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

## Goal 5 - Competency development

### Achievements

DSA visited the farms during the period under review to assess hygiene and compliance aspects of the milking parlours. Report on the assessment of milking parlours is expected during the 1st quarter of 2016. It is expected that the report will highlight areas where training and knowledge development should be conducted. Training on record keeping did also not take place as previously planned but hopefully would also take place during the first quarter of 2016.

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

## Income and expenditure statement

Income and expenditure statement	<a href="#">Income December 2015.pdf</a> <a href="#">Income November 2015.pdf</a> <a href="#">Income October 2015.pdf</a>
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