



Facilitation and Enterprise Development

(PRJ-0130-2016)

MilkSA

Year 2016 (January 2016 till December 2016)

Project goals

Goal 1 - Black dairy enterprises data: Visit 5 provinces where there is intensive dairy development activities

Achievements

Introduction

The transformation function focuses on assisting existing dairy entrepreneurs to become sustainable commercial dairy entrepreneurs. The function is performed by facilitating the alleviation of constraints that negatively impact on sustainable development. These constraints include enterprise infrastructure, technical know-how, health compliance, market access and productive assets. Since development is multidisciplinary, co-ordination and liaison with other stakeholders is of crucial importance at all the time to promote synergy. This report highlights progress made, challenges encountered during 2016 and activities for 2017.

During the year under review, two provinces were visited regarding black dairy enterprises data. While current data as maintained, one producer distributor was registered with MilkSA and is currently paying a levy. It is expected that two more producer distributors will be registered as levy payers with MilkSA during 2017.

Non-achievements / underperformance

Not all provinces could be visited during the year under review. The reason for this is that officials responsible for dairy in the provinces are engaged during the Marketing Forum meetings and issues are discussed during those meetings with the relevant provincial officials who provide the necessary information.

Planned remedies for non-achievements / underperformance

There will be no need to travel to all the provinces if they do not have something to show but meetings will be organised to engage them and strengthen relationship.

Goal 2 - Commercialization of black dairy enterprises: Assist 20 black raw milk producers by providing feed and 277 heifers by December 2016

Achievements

Implementation of Sustainable Commercialization Dairy Programme

1.1 Electrification of farms

Two farms have been connected to electricity at a cost of about R645 074 during the year under review. This brought us to a total of eight farms having been electrified out of the original plan of 10 farms to be electrified. The main highlight of electrification of farms is the saving of at least 50% of the cost farmers used to incur while using diesel and generators. Furthermore, the

original quotation for the connection of two farms was about R1.2M but when explanation was requested for such astronomical increase from the previous year, a reduction of about fifty percent was realized.

1.2 Supply of heifers

The supply of heifers has been negatively affected by drought during the year under review as heifers could not be found during the year until the last quarter of the year. However, a total of 291 heifers have been delivered to and shared among fifteen farmers during the year under review. This figure brought us to a total figure of 414 heifers against the original plan of 400 heifers. As a result of the rearrangement of budget line items, about three hundred and fifty (350) extra heifers will be supplied during 2017.

1.3 Milking machines

There were no installation of new milking machines during the year under review but the existing ones were maintained. It has been planned to upgrade two milking machines during 2017. At the time of writing a report quotation were being from the service provider who in turn was waiting for parts from overseas.

1.4 Pasture establishment

Ninety nine hectares have been prepared for planting *eragrostis curvula*. Planting was however being delayed because the ground was too wet. One farmer indicated that he would establish on his own and would be compensated in line with the accepted quotation for ploughing services and seed cost.

1.5 Volume of milk delivered to buyers

Twelve farmers have delivered one million three hundred and sixteen thousand hundred and four hundred and eleven litres (**1, 316,411**) of milk during the year under review. This is about 121.5% increase from the previous year of 594,344 litres. The huge increase from the previous year can be attributed to the increased number of heifers supplied and the supply of lucerne during the drought period. During 2017 Milk SA will continue to assist entrepreneur farmers with feed during winter to boost cow productivity.

1.6 Veterinary Services

Farmers continued to receive veterinary services from a private veterinary company. On average, each entrepreneur was visited two times by a newly appointed private veterinary surgeon during the year under review. The main observation was that on some farms cows were in poor conditions and as a result were not conceiving in time. This was mainly due to inadequate fodder flow on the farms, impotent bulls and lack of working capital to buy feed.

During the farm visits some cows were treated with Estrumate to improve their conception rate. Entrepreneur farmers were advised on measures to improve fertility of their cows, feeding, vaccination against diseases such as Brucella and Black quarter and culling of the cows based on their performance. This service is very critical to the farmers and the idea is that it must be paid for by Milk SA for one year after which it must be reviewed. Entrepreneur farmers are also very appreciative of the veterinary services provided and paid for by MilkSA. During 2016 the vet will examine the whole dairy herd per farm at least twice.

1.7 Other potential beneficiaries

During the period under review seven new beneficiaries (FS:2,KZN:3: EC:2) were brought into the project and supplied with heifers and lucerne. Farmers were found to be in dire situation due to drought. Out a total of twenty project beneficiaries five are still to be finalized in 2017 due to changing circumstances.

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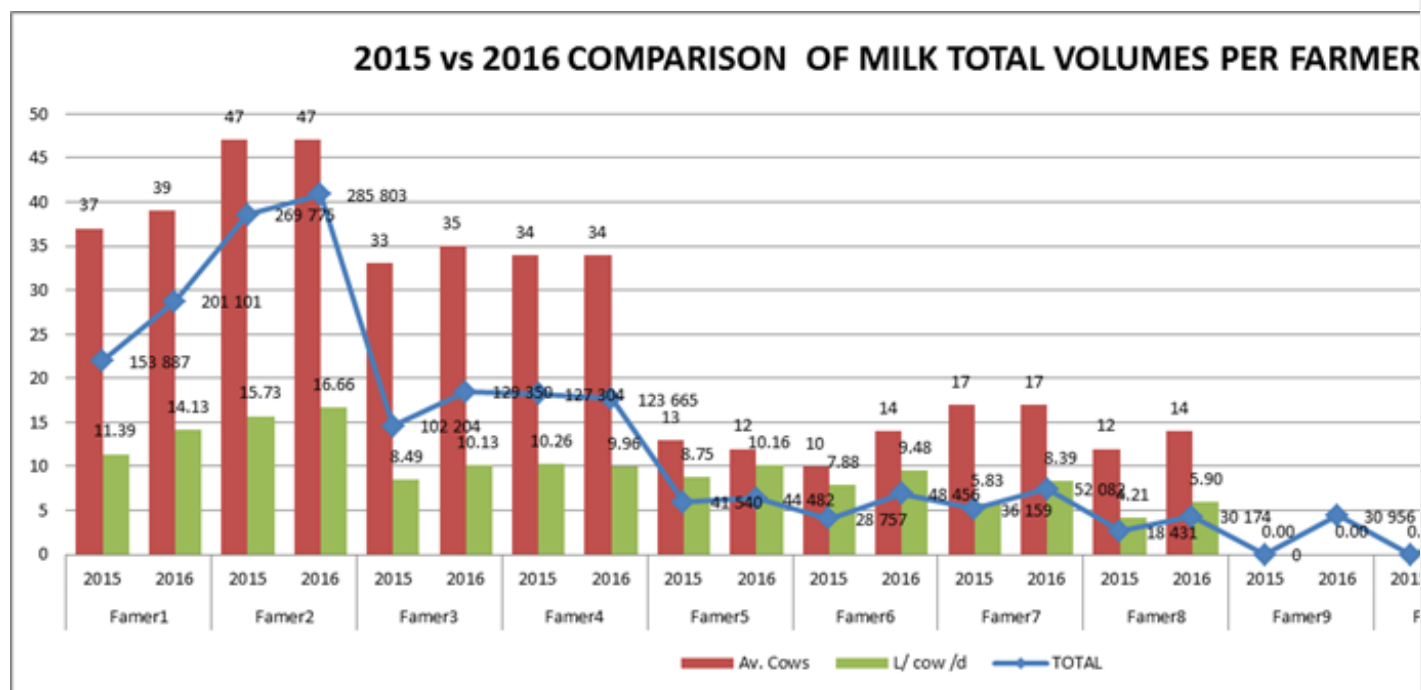
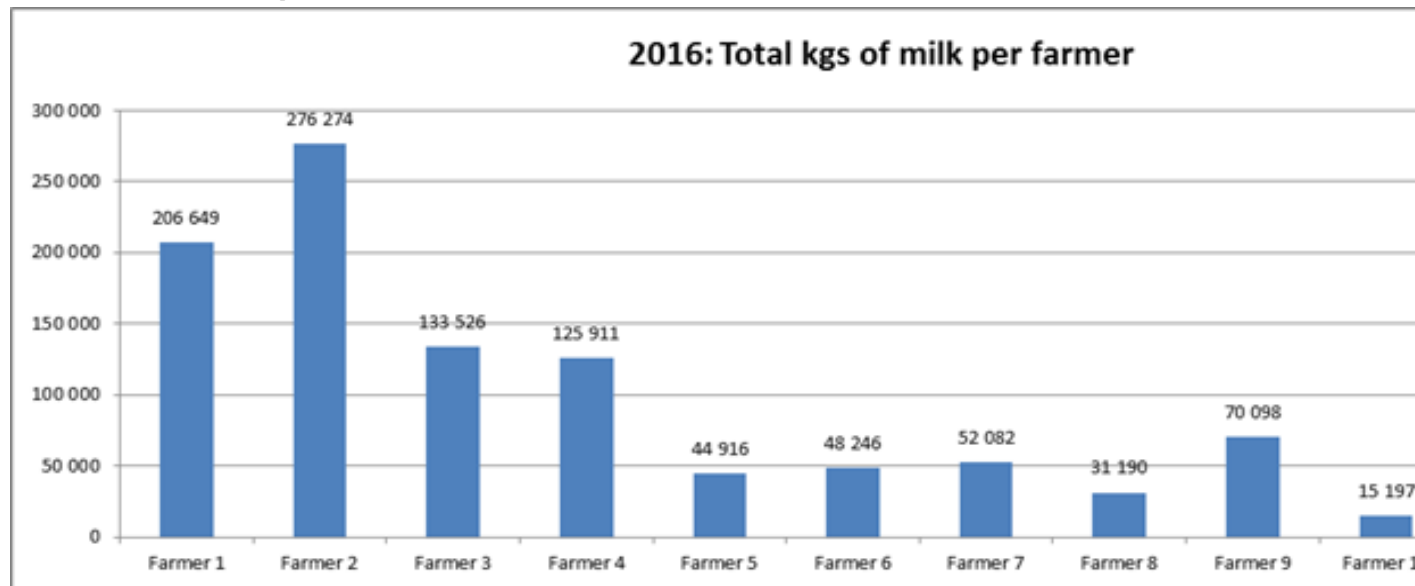
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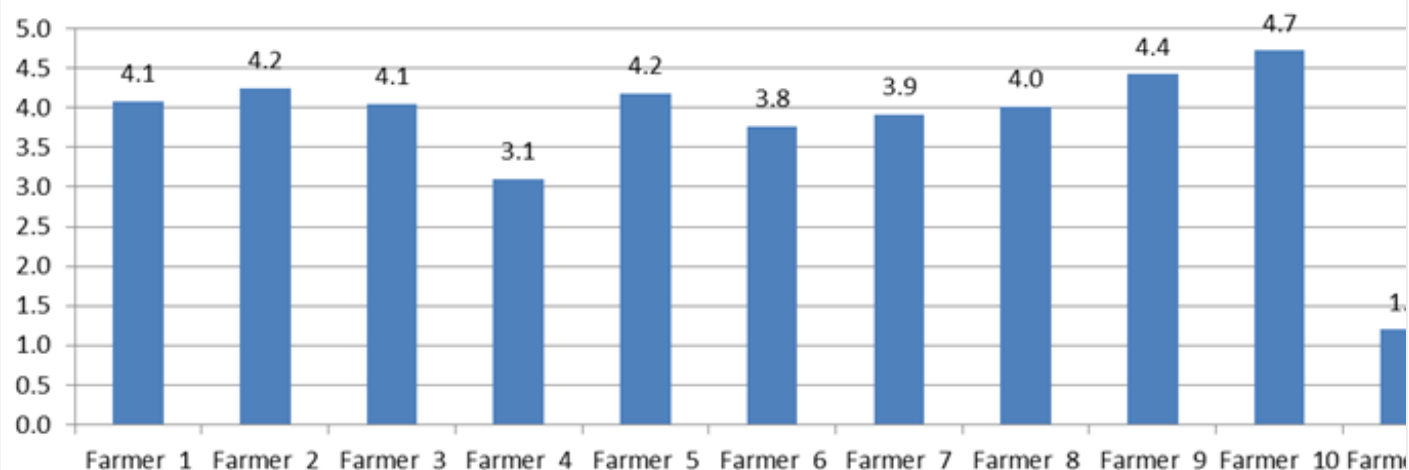
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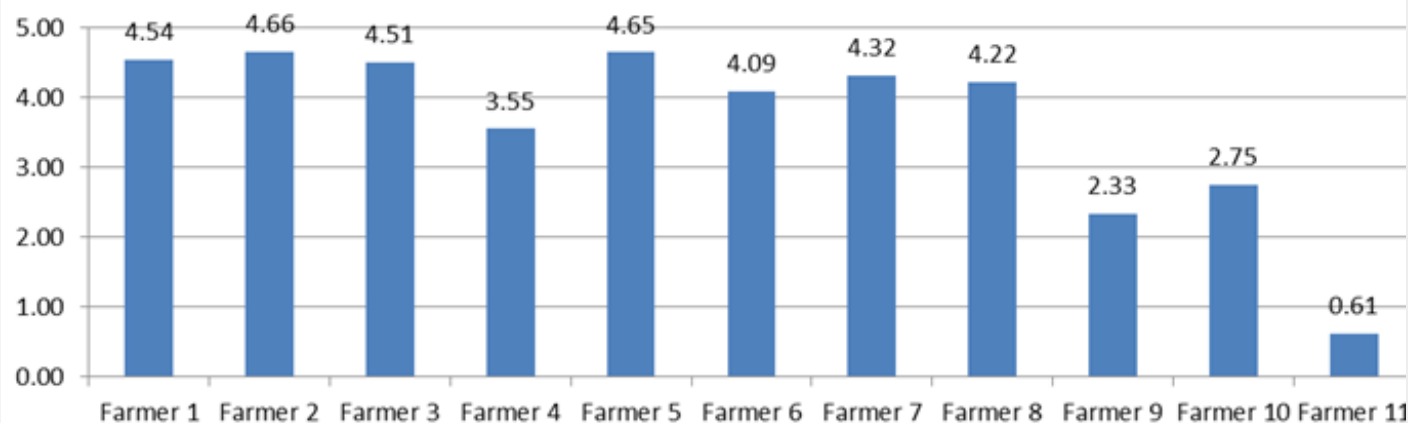
Individual farmer performance



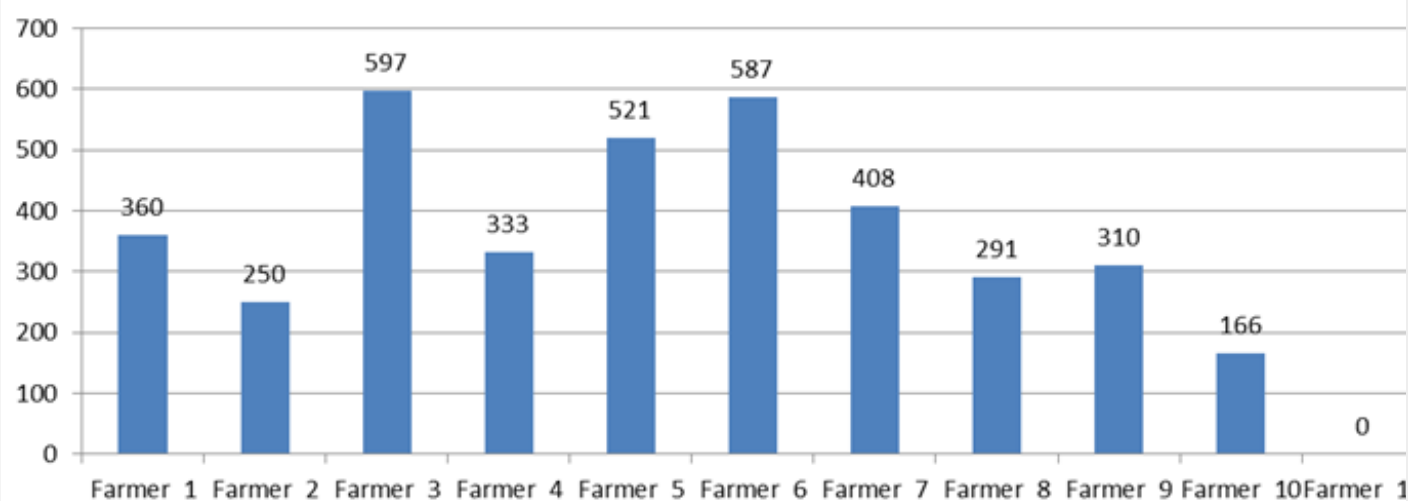
2016: PROTEIN %AVERAGE P/FARMER



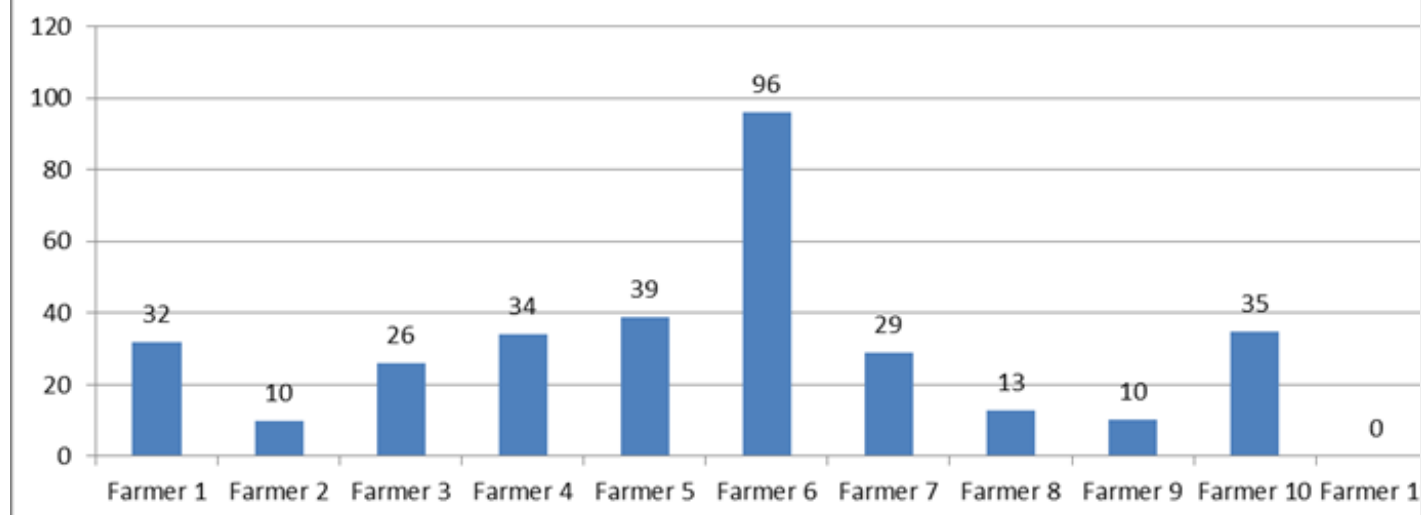
2016: BUTTERFAT % AVERAGE P/FARMER



2016 : AVERAGE SOMATIC CELL COUNT PER FARMER



2016: AVERAGE BACTERIAL COUNT PER FARMER



No Non-achievements / underperformance has been reported

Goal 3 - Liaison and facilitation: DAFF, Provincial Governments, other stakeholders

Achievements

The aim of liaison and facilitation is to establish and maintain business relationship with all potential partners who could contribute to realization of sustainable commercialization of existing smallholder dairy enterprises. The main partners are government, both national and provincial, financial institutions, buyers of milk, dairy technical experts and any other organization or people who share MilkSA's vision.

MARKETING FORUM:

The Forum covered, amongst other things, the following aspects relevant to the dairy industry:

AgriBEE Fund Status Report

DAFF, Directorate: Cooperatives and Enterprise Development gave a detailed progress report on AgriBEE Funding of marketing infrastructure business plans submitted by Provinces and further indicated that AgriBEE Fund Committee met, recommended and approved some of the business plans.

It was said that:-

Financing of 10% own contribution by the farmer is required by Land Bank, three year audited financial statements are also required by the bank, and Long term lease agreement from DRDLR was still pending and Limpopo Dept. of Agriculture was monitoring progress.

Marketing Infrastructure Business Cases By Provinces:

Provinces promised to identify potential farms/ projects for A-GAP program, particularly those farms that are producing food for the country; and Mr. Manthata would be consulted during identification of the farms for the programme

Marketing Information System Report

Challenges and remedial actions

It was reported that some of the hits could not be traced and the ICT software was being tested to identify all the hits, and that there was a lack of information for updating Provincial Info Hubs.

Resolutions:

Free State Province volunteered to work in close collaboration with DAFF to investigate the possibility of generating/collecting marketing information at the provincial level for the purpose of contributing to the Provincial Info Hub, and Commodity Associations were also encouraged to provide inputs and specify their information needs in the system

Moletjie Dairy Trust

The project is founded under the leadership of Moletjie Trust comprising 13 villages. Moletjie Community Dairy has 67 direct beneficiaries who will participate at the project level. Moletjie Community Dairy would start its operation by buying unbranded bulk milk from reputable milk producers within the province. The processing facility is designed to handle 6 000 litres of milk a day.

Objectives of the trust are to:

Establish and manage 13 village stalls.

Appointment of line managers and supporting staff from the community to support the expansion of business area.

Establishment of commercial dairy.

Sustainable job opportunities to the surrounding communities

PROVINCIAL WORKSHOPS:

Two workshops were conducted during the year under review each at Limpopo and Free State respectively.

Limpopo Province's Workshop.

According to Limpopo Department of Agriculture representative who attended the workshop, there were not many small farmers in dairy because dairy production is complex, expensive and market very limited. Accordingly there was less focus on dairy as compared to other commodities. It was reported that Limpopo had less than five really dairy farmers and those in dairy tended to practice dual economy. It was further learnt that Limpopo Province farmers lacked pasteurizers and paved milking facilities.

Mr Rathogwa spoke on Milk SA's desire to partner with government departments and other stakeholders to promote a healthy South African dairy community. He said that the vision of the government of South Africa was to have a transformed and adaptive economy and a people centred sector. He proceeded to tell the attendees who Milk SA was and what they did. He said Milk SA administers dairy industry statutory regulations: registrations, returns and levies. He also mentioned that Milk SA promotes dairy products benefits: nutrition and health aspects and conducts research and development in the dairy industry. It was said that Milk SA drives dairy industry transformation programme by facilitating empowerment of existing dairy entrepreneurs. It was emphasized that transformation needed committed entrepreneurs in order to survive and prosper in the dairy industry

Dr T. Netshituni presented on the issues concerning health and legal compliance on behalf of Limpopo Department of Agriculture. It was said that Veterinary Public health is defined as "the sum of all contributions to the physical, mental and social well-being of humans through an understanding and application of veterinary science". As a result, human health is intimately linked to animal health and production. Animal health poses a serious risk to public health as a result of food borne and zoonotic diseases. Dr T. Netshituni also spoke on the importance of farm workers training and farm employee hygiene.

Challenges facing small dairy enterprises in South Africa. Plenary session identified the following challenges and their possible solutions.

	Challenges	Possible solutions
1	Shortage of rain	Assistance with bore holes and water tanks
2	Lack of infrastructure (e.g.. feedlot, housing)	Provision of finance from Government
3	Lack of finance to start	Provision of finance from government.

4	Non-compliance with regulations and hygiene	Training and engagement with MlkSA to know what is expected.
5	No support from extension officers	Animal scientists to be engaged and encouraged to assist small dairy entrepreneurs.
6	Unavailability of market	Provision of milk centres, processing.
7	No enough water	Extra borehole and dams on farms.
8	No feeds	Market provides money to purchase feed.
9	Finance for health issues	Provision of finance from Government.
10	Training in dairy farming	Training and involvement with Milk SA to see what is expected.
11	Land	Government to assist in securing land.
12	Diseases	Farmers to be equipped with training on health related issues

Feeding dairy cows for productivity and profitability

Dr F Nherera-Chokuda from ARC tackled the feeding programme and also the strategies to support survival and competitiveness in dairy industry. She said that the purpose of feeding the lactating dairy animals was to provide adequate amount of nutrients for maintenance, growth and pregnancy

It was emphasised that a good feeding plan for lactating dairy cows is the most important aspect of dairy farming in order to ensure healthier, efficient and productive dairy cows that improve profitability for their owners. Accordingly farmers were advised to have a consistent feeding plan of good quality feeds.

Factors influencing milk price and what it takes to succeed as a dairy entrepreneur

Mr Z. Swannepoel talked to the farmers about the fundamentals in dairy industry. He shared his experience in dairy industry and also how he started his dairy farming.

Competitiveness in a global dairy market

Mr Godfrey Rathogwa talked on competitiveness in a global dairy market and mentioned the following as components that promote competitiveness:

- Market driven production
- Efficient production
- Productivity
- Quality product/service
- Efficient risk management
- Efficient allocation of resources

He said market driven production focuses on producing what the target market needed and not producing what one could produce. Mr Rathogwa said efficient production targeted creating value with the least possible cost. For example: one produces a litre of milk at R0, 50 against one producing at R0.75. Productivity looked at how one's resources could create the greatest possible value. For example, one worker ploughs 20 hectares per day against one ploughing 5 hectares per day. In regards with quality product/ service, quality was what the client or consumer expectations from your product or service. For example, certain % of butter fat and protein in milk. Efficient risk management looked at potential risks and having a plan in place to mitigate against in case it happens while efficient resources allocation looked at using them where they are most valued in terms of market price signals.

Free State Workshop

The Free State workshop was almost a duplication of the Limpopo workshop. In addition to what has been covered in Limpopo workshop, vaccination of animals and calving intervals were emphasized by Dr. Nherera and Dr. S. Froneman. The following were the specific points that were highlighted at the Free State workshop.

Feeding dairy cattle

- Feeding the right amounts of proteins, carbohydrates, fats, minerals, vitamins and water.

Water requirements were advised as follows:

- Give 5 liters for every 1 kg of feed the cow eats

DAFF:

The Directorate of Marketing: Department of Agriculture, Forestry and Fisheries organized a meeting to discuss marketing outlets for small producers as the majority of them were facing challenges to secure reliable markets. It was agreed that DAFF would assist regarding Good Agricultural Practice (GAP) training to ensure that producers meet market requirements and comply with health and food safety requirements.

National Agricultural Marketing Council (NAMC).

The NAMC representatives were met during the period under review to discuss 2017 Transformation Business Plan. Issues which they highlighted as concerns were explained and clarified to their satisfaction and agreed that the business plan could be implemented as presented for their consideration and approval. However, they indicated that they would like to be given training programmers of all divisions of Milks Transformation- Enterprise Development and Skills Development: Primary and Secondary industries.

Western Cape Province: Department of Agriculture.

The Department of Agriculture of the Western Cape Province was visited in December 2016 to discuss dairy development in general. Some farmers around Atlantis were also visited to see if there was any potential to form partnership. Unfortunately, farmers were found to be operating on farms without official land ownership although they indicated that the department of Land Reform and Rural Development was busy with the matter of land ownership.

Limpopo Province of Agriculture. Two dairy enterprises were visited at Sekukune, Limpopo Province. One is supposed to be a producer of raw milk, processor and distributor but there was no sufficient land for grazing. The dairy processing cooperative was in the middle of a town did not have a reliable supplier of raw milk. The official responsible for the dairy requested that a follow-up meeting be arranged in 2017 to discuss and formulate strategies to overcome challenges to ensure viability of the projects.

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