



## ***Enterprise Development***

**(PRJ-0219-2019)**

***Godfrey Rathogwa***

***Year 2019/2019*** (January 2019 till December 2019)

### **Project goals**

#### **Objective 1 - Continue monitoring existing black dairy commercialization enterprises**

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

###### **Introduction**

Sustainable Commercialization Project came into being as a result of 2006-2009 Milk SA statutory levy surplus funds. Its goal is to promote competitiveness, profitability and sustainability of existing small black owned dairy enterprises by contributing to the reduction of commercial venture impediments such as poor on-farm infrastructure, dairy enterprise technical competencies, business competencies and compliance with legislation. In order to augment the limited statutory levy surplus funds, Milk SA Transformation Manager successfully applied for a grant funding from the Jobs Fund programme and secured R10.35M. Below follows a report on the objectives set for 2019 at the beginning of the year.

During the year under review monitoring focussed on dairy herd health, breeding, milk production, fodder flow, animal feeding, and business activities record keeping. Accordingly, advice to entrepreneurs was given based on actual circumstances of the enterprise. On average, there were seven hundred and fifty two (752) cows in milk. Farmers supplied 3 014 696 kilograms of milk to processors / or consumers. The total number of cows increased by 30% while milk volume went up by 12.15 % during the year under review compared with 2018.

A total of 1 240 tonnes of lucerne were delivered during the period under review. Lucerne was delivered to farmers on a 25:75% cost sharing basis between the beneficiary and Milk SA. The decision was taken to support farmers with fodder because drought severely affected fodder flow in general as farmers could not plant maize for silage during summer of 2018. Orders placed by individual beneficiaries ranged from 5 to 100 tonnes.

The Centre for Competition, Regulation and Economic Development of the University of Johannesburg organized a stakeholder meeting which was attended with some of the project beneficiaries, researchers from Edinburgh university and Milk SA directors. What was encouraging at the workshop, was the positive feedback to the meeting from two beneficiaries about the good work of Milk SA in supporting smallholder dairy enterprises development. One dairy entrepreneur said that when you partner with MilkSA you make real progress.

The relationship with Jobs Fund ended in November 2019 because the Jobs Fund approve transfer of funds which Milk SA wanted to use to assist farmers establish permanent pasture. The Jobs Fund's reasons for denial to use such funds in establishing pasture was that farmers could not employ sufficient number of workers and that Milk SA wanted farmers to contribute to the cost of establishing pasture. Nonetheless, an independent project performance assessor is currently gathering information from project beneficiaries and the report on overall performance of the commercialization project is expected before the end of March 2020.

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

### **Objective 2 - Deliver cows / pregnant heifers among new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary counter performance**

#### ***Achievements***

Sixty two (62) pregnant heifers were delivered and shared among three beneficiaries during the period under review. The three beneficiaries who received cows were also given a total of fifty (50) tonnes of lucerne to support their animals with feed as the period was very dry. Two of the farmers each received twenty three (23) and the third received sixteen (16) pregnant heifers. The third farmer received less heifers because he was also assisted with a 1 000 litre pasteurizer.

Five existing project beneficiaries were assisted to obtain quotations for the purchase of cows funded under comprehensive agricultural support programme (CASP) of the Department of Agriculture, Forestry and Fisheries.

One new beneficiary, who was in the process of buying someone's farm, was not supported pending proof of farm ownership transfer into his name has been received by Milk SA. The entrepreneur is an ex-government employee who resigned in order to pursue farming full time.

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

### **Objective 3 - Supply critical dairy productive infrastructure**

#### ***Achievements***

An order for a 1 000 litre pasteurizer was placed during the period under review. Unfortunately pasteurizer which was supposed to have been delivered by November/ December 2019 was not yet delivered at the time of writing the report. The matter was followed up with the supplier who said that he was disorganized by a bigger project which he was handling but promised to deliver the pasteurizer during February 2020. Sinking of boreholes, construction of water reservoirs and laying of irrigation pipes could also not be implemented as planned because Jobs Fund could no longer release funds. According to them the requirement for a farmer's contribution to the cost of establishing pasture on a 50:50% cost sharing basis between Milk SA and existing beneficiaries using Milk SA Jobs Fund funds was a change of the original contract which they did not like to approve although during negotiations they never refuted the idea. On investigating the matter further, it was discovered that they approached one farmer who indicated to them that contribution would be difficult. Such a person was unfortunately not at a meeting where all farmers agreed and signed to confirm their commitment to 50% own contribution to the total cost of establishing permanent pasture under irrigation. The reason for requesting farmers' own contribution was to ensure that bigger land was cultivated under pasture and to promote entrepreneurial culture. Jobs Fund was also requested that if contribution by farmers was not acceptable to them, 60 hectares instead of 120 could be developed.

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

### **Objective 4 - Capacitate new black dairy entrepreneurs and their workers in dairy enterprise business competencies**

#### ***Achievements***

Three workshops were held over a period of three days in total in Free State during the year

under review with existing project beneficiaries and five potential beneficiaries. During the workshops the following aspects were covered:-

Fodder flow planning.

Enterprise mission.

Enterprise vision.

Short term objectives.

5. Long term objectives

Strengths, weaknesses, opportunities and threats (SWOT) analysis of the enterprise.

Strategies to realize objectives

Information obtained during these sessions was also used to develop business plans for blended funding being managed by the Department of Agriculture, Forestry and Fisheries (DAFF).

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

#### **Objective 5 - Assist existing black dairy enterprises in business plan development**

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

Four workshops were held at Harrismith during the year under review. The focus of the workshops was on challenges which entrepreneurs were facing and strategies to overcome them in line with their business mission, visioned business objectives. Adequate fodder flow, proper feeding, adequate water supply, dairy herd health management and adequate working capital were some of the challenges identified. Permanent rye grass under irrigation was suggested to address the issue of inadequate fodder flow while testing of knowledge of the previous workshops was suggested to test general knowledge before future workshops. Farmers were also requested to revisit their medium and long term objectives and also to formulate strategies to realize their objectives to promote pragmatism in the whole business process.

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

#### **Objective 6 - Coordinate and liaise with relevant stakeholders**

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

The purpose of engaging other relevant stakeholders is to promote collaboration and partnership in dairy development as development cannot be monopolised. During the year under review engagements were made with each of the institutions / persons indicated below. Department of Agriculture, Forestry and Fisheries were met regarding blended funding and Jobs Fund/DAFF funding for black agri-businesses, for an opportunity for one to buy a stake in an existing commercial enterprise, regarding CASP funding for some of MilkSA commercialization project beneficiaries. The department wanted to know if farmers had already received money and used it on what it was intended for. It was discovered that money was being received in tranches and farmers were connected with our livestock agent to give them quotations.

The Department of Trade and Industry was engaged regarding agro-processing support for small, medium and micro enterprises without reliable milk buyers,

The National Agricultural Marketing Council was met regarding Ministerial funds, transformation business plan for 2010 and transformation work in general.

Meetings were held with a Land Bank representative in connection with a current project beneficiary having challenges to meet his loan repayment due to a loss of cows which he claims were sold to him sick, and possible partnership between Milk SA and the Land Bank in assisting new potential dairy enterprises.

ARC was met to discuss potential beneficiary they have identified in some provinces and were given enterprise profiling forms.

Two representatives of Edinburgh University who were visitors of Centre for Competition,

Regulation and Economic Development (CCRED), University of Johannesburg, were accompanied to Harrismith to interview farmers regarding project progress and challenges. Department of Trade and Industry regarding incentives for agro- processing- funding ranges 20 to 305 depending on meeting criteria.

The Department of Basic Education was also met regarding potential partnership with MilkSA, especially school feeding scheme programme.

Four Free State Agri-BEE Council meetings were attended in Bloemfontein during the year under review. It was reported during one of the Free State Agri-BEE Council meetings that:-

9.1 Agri-SA released transformation report that didn't speak to five (5) elements of transformation.

9.2 Standard Bank was training farmers together with the University of Free State on financial management and production on the farm to ensure that they graduate to commercial level.

9.3 There was a need to harmonise the financial sector code (FSC) and the Agri-BEE sector code for coordinated efforts to realise transformation in the sector.

10. Centre for Competition, Regulation and Economic Development (CCRED) of the University of Johannesburg organised stakeholder meeting which was attended with some of the project beneficiaries. What was encouraging was the positive feedback to the meeting from two beneficiaries about the good work of Milk SA in supporting smallholder dairy enterprises development

11. Gauteng Growth and Development Agency was met during the period under review to discuss possible support for small raw milk processors. Contact numbers of the officer at Gauteng Agriculture were provided for giving those who wanted to process own raw milk.

12. Agricultural Development Agency (ADA) of KZN was visited during the period under review to discuss support of one beneficiary who wanted to expand dairy. The challenge of the enterprise was found to be lack of focus because they wanted to deal with beef, sheep and dairy without any clarity of the main enterprise. ADA would send the business plan to MilkSA for a review and advice.

13. A meeting organised by the Department of Rural Development and Land Reform (DRDLR) was attended in Umthatha during the period under review. The meeting was discussing a potential raw milk processing plant and supply of raw milk. Stakeholders at the meeting requested what informed the thought to start the business but there was no any report. Milk SA was requested to secure a report of the study done by the University of Pretoria. It was agreed that:

13.1 Future meetings should involve Coega

13.2 Milk SA should advise on milk volumes needed for a successful raw milk processing plant.

13.3 SEDA (Small Enterprise Development Agency) should be invited to the next meeting regarding their incentives.

On the 16th November 2019 Amadlelo Annual Awards Luncheon day was attended with the Chair and CEO of MilkSA. The CEO made a presentation on the Dairy Industry Perspective and the future prospects.

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

## **Objective 7 - Participate in Marketing Forum meetings**

### ***Achievements***

Three Marketing Forum meetings were attended to during the year under review. The focus of the meetings was, among other things, on Global GAP, CASP support to SA-GAP programme, agricultural marketing capacity building and AgriBEE Fund. It was reported that AgriBEE Fund was unfrozen and should be applied through provincial Land Bank offices. It was also expressed that all commodity organizations should develop long term development strategies that include marketing. A concern was also expressed regarding lack of co-operation in development initiatives.

The Transformation Manager was nominated to be a member of task team of the Agricultural Marketing Forum to review Marketing Forum terms of reference. The meeting was held at Milk SA offices. The revised terms of reference of the Marketing Forum are to:

Facilitate efficient and effective marketing of produce from black producers.

Operationalize implementation of the Integrated Marketing Strategy through marketing support program ;

Exchange experiences and share lessons on both best practices and unsuccessful projects in implementing the Integrated Marketing Strategy;

Coordinate and initiate applicable and relevant skills development and capacity building programs for Agricultural Marketing Economists responsible for implementation;

Undertake any activity in relation to agricultural marketing as delegated by the (Agricultural Economics Working Group) AEWG;

Serve as a platform for joint planning with provinces on implementation of the Integrated Marketing Strategy;

Serve as a platform for reporting and reviewing progress and bottlenecks regarding implementation of the Integrated Marketing Strategy;

Recommend proposals for funding marketing infrastructure investments;

Enhance access to various incentives by producers for marketing initiatives.

The Forum reports quarterly and annually to the Agricultural Economics Working Group (AEWG) regarding progress made and challenges experienced during implementation. The specific functions of the Forum are expanded as follows:

Marketing Infrastructure and Agro-Logistics

Develop and implement solutions for logistical problems experienced by smallholder producers in areas with high agricultural, market driven production potential and improve efficiency of logistics.

Facilitate the establishment of marketing infrastructure, particularly infrastructure that facilitates storage (including cold-storage), grading, packing and value addition by assisting producers in the development of bankable business cases; and

Marketing Information

Facilitate access to and use of the marketing information system;

Facilitate collection and dissemination of agricultural marketing information to assist smallholder producers/ farmers to make informed business decisions; and

Generate relevant regional and/or local agricultural marketing information and disseminate it to producers and other role-players in their locality.

#### **c. Market Linkages**

Implement a credible and comprehensive programme of linking smallholder producers to markets by securing markets;

Undertake marketing research and market intelligence when necessary.

#### **Skills Development**

Undertake needs analysis for smallholder producers on marketing skills and develop a database of such producers for utilization by the department and other training institutions that have interest in skills development of smallholder producers; and

Roll out the skills development and capacity building program on marketing using accredited learning programs.

#### **e. Finance**

Mobilize funds for implementation of the integrated marketing strategy within respective provinces.

During the previous sitting Perishable Product Export Control Board (PPECB) reported on the DAFF SAGAP Certification Project covering the work done during April 2019 to September 2019 covering pre- audits, one on one farm visits, workshops and final certification audits. It was reported that:-

Pre audits were done in the presence of the farm manager and two officials from the respective provinces.

Farms were inspected to check that required infrastructure complied with prescribed standards. Learning and development specialist went through the project file (records) with the farmer and the learning and development specialist offered advice on aspects that needed to be addressed before the final audit was done.

Reports of the non-conformances were written and shared with the project owner.

The majority of non-conformances appeared to be soft issues ( recording keeping) and the provinces promised to work with farmers to address the non-conformances.

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

### **Objective 8 - Maintain and strengthen relationships with Provincial Departments to enable updating of data on black dairy enterprises**

#### ***Achievements***

Letters were written to all provincial HODs of agriculture requesting for Black dairy enterprises data /information with a deadline. Unfortunately, except for the three provinces, no responses were received despite several telephonic follow-ups. Even among the three that responded, one response indicated that there were no Black dairy enterprises in that province. While no specific visits to the provinces were made, communication regarding transformation in the dairy industry was maintained through the Marketing Forum which met three times during the year under review.

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

## **Income and expenditure statement**

Income and expenditure statement	<a href="#">ED 2019 Budget Revised 21Oct. 2019 .xlsx</a>
Unnecessary spending during period	No

## **Popular Report**

[ED 2019 Budget Revised 21Oct. 2019 .xlsx](#)

## **Additional documentation**

[2019 ED BP Programme True Feb 2019.doc](#)

## **Statement**

Levy funds were applied only for the purposes stated in the contract	Yes
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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