



Enterprise Development

(PRJ-0268-2020)

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Year 2020 (January 2020 till December 2020)

Project goals

Goal 1 - Monitor 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 R10.35 million (M). Below follows a report on the objectives set for 2020 at the beginning of the year.

During the year under review monitoring continued to focus 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 eight hundred and seventy three (873) cows in milk. Farmers supplied 3 695 239 kilograms of milk to processors / or consumers. The total number of cows in milk increased by 16% while milk volume went up by 23 % during the year under review compared with 2019.

The major challenges which farmers identified during the year under review were as follows:

No visits from the local Extension Officers;
Unavailability of State veterinarians when needed;
Poor fodder flow due to drought before it started to rain;
Fire from neighbours; and
Footrot due to too much rain.

In addition to the above-mentioned challenges, it has been observed that where enterprises were either a cooperative or trust, enterprises performed poorly as compared to individually owned and managed enterprises. At such enterprises students were managing businesses. When they return to school or find other opportunities, enterprises lack dedicated management and thereby resulting in performance suffering greatly.

Notwithstanding to the above-mentioned challenges, enterprises in general have improved a great deal when assessed over a period since Milk SA got involved.

No Non-achievements / underperformance has been reported

Goal 2 - Deliver pregnant heifers to new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary

counter performance

Achievements

A total of 102 pregnant heifers were delivered and shared among five beneficiaries comprising 40 heifers delivered to one beneficiary on 40:60 cost sharing between the beneficiary and Milk SA, and 62 heifers delivered by government under Comprehensive Agricultural Support Programme (CASP) and shared among four beneficiaries each receiving 10, 12, 20 and 20 respectively. Milk SA assisted to secure quotations of animals according to Milk SA heifer criteria from its livestock agent. Farmers have also refused heifers financed by CASP if they were not being supplied by MilkSA's livestock agent.

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 dairy farming full time.

No Non-achievements / underperformance has been reported

Goal 3 - Deliver feeds - lucerne and dairy meal concentrates

Achievements

A total of 689 tonnes of lucerne were delivered during the year under review. Lucerne was delivered to farmers on a 50:50% cost sharing basis between the beneficiary and Milk SA to support milk production. This is 45% less than the total lucerne delivered under 25:75% between the beneficiary and Milk SA in 2019.

No Non-achievements / underperformance has been reported

Goal 4 - Supply critical enterprise infrastructure - Irrigated permanent pasture, upgrade milking equipment, ground dams development

Achievements

A 1 000 litre pasteurizer was delivered during the year under review although delivery was delayed. The supplier indicated that he was being hampered to finalize the job due to the Coronavirus national lockdown. Nonetheless, the delivery of the pasteurizer was a great relief because the entrepreneur was about to lose contracts with old age homes and schools. Furthermore, the milking equipment was also upgraded and the cost of upgrading the milking equipment was shared between the beneficiary and Milk South Africa (+50:50% cost sharing).

Establishment of irrigated permanent pasture, upgrading of milking equipment and ground dams development could not happen during the year under review on other farms due to Corona virus which negatively affected farmers in getting quotations while newly approved beneficiaries could not provide outstanding information requested by Milk South Africa. Farmers have been advised to get quotations for whatever they needed Milk SA to support them with and; as soon as everything is in place work will proceed.

No Non-achievements / underperformance has been reported

Goal 5 - Specialized dairy processing assistance by secondary dairy industry experts to black dairy enterprises which are included in the

existing "commercialization" project of Milk SA

Achievements

During the year under review two enterprises were visited. One of the projects was in Mpumalanga while another one was in Free State. Planned visits to the third one were cancelled twice due to the Coronavirus national lockdown. Nonetheless, the entrepreneur was sent a questionnaire by the dairy expert so that light could shed about the enterprise situation.

The secondary dairy expert visited the enterprise in Free State to check the functioning of a pasteurizer of one entrepreneur after a missing part was finally installed. Fortunately this happened during the same time when a team of the National Agricultural Marketing Council (NAMC) was visiting the projects. Follow-up visits by the expert to the other two enterprises could not take place because one of the two entrepreneurs had not implemented the previous advice given by Milk SA due. The entrepreneur indicated that he could not implement previous advice given by the Milk SA because he did not have funds and also funds promised by the Provincial Department of Agriculture were no longer available due to Coronavirus. The third entrepreneur did not respond to the questionnaire sent by the dairy processing expert.

The third entrepreneur could also not be met by the NAMC team although he was informed well in advance. Extra efforts were made to meet him but when we arrived on his farm he was not there. We phoned him and his response was that he was in Durban from where he would go back home only after two days. Depending on his response Milk SA will have to make a decision regarding the enterprise's future participation and support.

No Non-achievements / underperformance has been reported

Goal 6 - Dairy business competency development and enterprise performance monitoring

Achievements

A workshop which was attended by seventeen Project participants was conducted during the period under review and covered the following aspects:

1. Breeding.
2. Calf and heifer rearing.
3. Feeding dairy cows.
4. Dairy cow nutrition.
5. Fodder flow planning and production taking possible drought into account.
6. Long term dairy enterprise planning.
7. Record keeping.

The workshop took place after visiting some farms to assess conditions to ensure that workshop teaching was based on practical experience. It was also agreed that before future workshops take place, entrepreneurs would have been tested to gauge their level of understanding the previous learning.

No Non-achievements / underperformance has been reported

Goal 7 - Assist existing beneficiaries regarding long term business plans for submitting to DAFF for blended funding and enterprise management

Achievements

A two day workshop was conducted during the period under review to discuss individual entrepreneur business plans in terms of business needs and financing strategy.

All farmers but one were ready to contribute 50% of the financial needs which was planned to be finalized by Department of Agriculture, Land Reform and Rural Development (DALRRD) but it has been learnt that Blended Funding is not operational yet. During the workshop farmers expressed the following needs:-

1. Sinking borehole or blocking rain water to improve water situation
2. Laying irrigation system
3. Permanent pasture establishment
4. Upgrading of a milking parlour in terms of milking points and bathrooms
5. Tractors with equipment
6. Feed mixer
7. Hammer mill
8. Solar power
9. Extra farms

Cost of the needs ranges from about R150 000 to R6.6M per enterprise. Milk SA will nonetheless not spend its money where the cost will disadvantage other potential beneficiaries. Farmers were engaged individually to discuss their business goals, 50% own contribution and how they would raise finance to implement their business objectives. They have also been given forms to sign indicating their commitment to their business plans. Follow-ups are being made for them to return the signed forms.

No Non-achievements / underperformance has been reported

Goal 8 - Coordinate, liaise with relevant stakeholders and participate in Marketing and Agro-processing Forums

Achievements

8.1. Agricultural Research Council (ARC)

During the year under review, two meetings were held with the ARC as follows:

The first meeting was discussing participation of entrepreneurs identified by the ARC. The discussion focused on Milk SA criteria and entrepreneur responsibility to ensure enterprise success. Entrepreneurs identified by the ARC in Gauteng, Free State and North West Province. It was discovered at one of the projects that new owners were not committed to the business and the manager who was trying to assist to ensure enterprise success was not respected by owners who were working full time on the farm. Enterprise profiles were compiled with the assistance from the ARC.

The second meeting was held at ARC-Irene regarding milk recording scheme reports of some of our project beneficiaries. In terms of Milk SA projects reporting, milk composition is part of the report. Unfortunately some of the project beneficiaries who are selling their milk to less established buyers do not provide milk composition information when they provide volumes of milk sold per a specific year. The engagement with ARC wanted to establish if bulk tank samples could also be taken instead of individual cow reports.

8.2. Department of Agriculture, Land Reform and Rural Development (DALRRD).

Meeting were held between DALRRD and Milk SA as follows:-

The first meeting between DALRRD and farmers in Harrismith (of the Free State Province) was coordinated by the Milk SA. The purpose of the meeting was for DALRRD to engage farmers on CASP money which was meant to be spent by March 2020. DALRRD wanted to establish the reasons why the use of such funds was slow when needy farmers needed assistance.

A visit to three farming enterprises which had been identified by DALRRD in Mpumalanga was

made but farmers were found to be focussing on beef although there was dairy infrastructure. Unfortunately the dairy infrastructure was being vandalized at all farms visited.

Another dairy enterprise was visited in the Eastern Cape Province because officials of DALRRD wanted it to be revived because it was going down as the owners focussed on jobs creation without regard to the profitability and sustainability. The farm has the potential to milk about 1 000 based on the irrigated pasture infrastructure but at the time of visiting only about 70 cows were in milk. It was later reported that a private investor was found and it was decided not to get involved anymore. Another farmer could no longer reply his phone on the day we were supposed to have met also in KZN.

A visit was also made to Cedarville in KZN to meet the DALRRD official regarding a farm which one of our beneficiaries wanted to use. The beneficiary was requested to make quotations of what needed to be done for submitting to Milk SA for consideration. The process was later put on hold temporarily because of COVID-19 lockdown.

Moreover meetings were maintained between the DALRRD and Milk SA regarding CASP funding, as well as Covid-19 support for agribusiness projects.

8.3. Land Bank

Follow-up engagements were done with the Land Bank on the possibilities of Land Bank funding one of our project beneficiaries. It was such a misfortune, the Land Bank indicated that they would not be able to assist the beneficiary as indicated initially because he was blacklisted when he failed to meet his debt repayment obligation. The beneficiary indicated that he lost income because many of the cows funded by a loan from the Land Bank had died and they were not insured.

8.4. The National Agricultural Marketing Council (NAMC)

A few meetings were held between the NAMC and Milk SA during the year under review regarding Ministerial funds, transformation activities in general and the transformation business plan for 2021.

A team of three personnel from the NAMC was taken to sixteen existing projects and other three new entrepreneur's sites during the third quarter of the year to assess performance and challenges which were being experienced. This site visit was initially planned to take place during the second quarter of the year, but postponed due to coronavirus. During the site visits project beneficiaries were interviewed by the NAMC while Milk SA Transformation Manager had recused himself to allow entrepreneurs to talk freely. At the end of the visit the NAMC were upbeat about Milk SA's approach to meaningful transformation and the kind of support given to the deserving entrepreneurs. NAMC further encouraged Milk SA to spread its geographical presence where feasible.

The NAMC also facilitated other webinar meetings that linked the Milk SA with the Provincial Departments of Agriculture in the three Provinces, i.e. Eastern Cape, Free State, Western Cape and Gauteng Province. The purpose of the meetings was to improve the stakeholder relation between the Milk SA and the Provincial Departments on promoting dairy industry transformation.

8.5. Future Farmers

Future Farmers, a non-profit organisation involved in promoting and exposing young agricultural graduates to international dairy industry were visited in KZN during the year under review to take Milk SA to a potential project for consideration. A formal request is still being awaited. In addition, they have also indicated that they would send Milk SA a request for supporting them with funding for prizes under their mentorship programme.

8.6. Private Enterprise Development Company

Meetings were held with a private company that was interested in the processing of raw milk from black-owned dairy enterprises. Site visit were taken into two entrepreneurs for them to be exposed and engage entrepreneurs for decision making.

8.7. Mulenzhe Traditional Council (Limpopo Province)

Mulenzhe Traditional Council in the Vhembe District was visited as per their invitation to see how Milk SA could assist them. The Milk SA approach and its criteria for support were shared with them and explained.

8.8. The Marketing and Agro-processing Forum

The strategic objective of the Marketing Forum is to facilitate efficient and effective marketing of produce mainly from emerging black producers. A webinar was used to conduct the meeting held on 30th September 2020 instead of the normal physical face to face meeting due to Covid-19 lockdown. The following report which is more relevant amongst other reports was discussed:-

8.8.1. The Agri-BEE Fund under review but implementation continues.

A. The Rationale for review

1. In October 2019, the Department was requested to brief the Portfolio Committee on Agriculture, Land Reform and Rural Development on the implementation of the Agri-BEE Fund.
2. In the brief, the Minister pronounced her intention to review the Fund.
3. The reasons articulated by the Minister were that, in its current format, the Fund seems to have deviated from its original mandate.
4. Following this pronouncement, a meeting was arranged between the Minister and the Agri-BEE Fund Committee members to obtain clarity on this matter. The meeting took place in December 2019.
5. The outcomes of this engagement, together with concerns raised by various stakeholders on the stringent criteria necessitated a review of the Fund.
6. The Fund was conceptualized as a national instrument aimed at assisting the department to bring about transformation in the in the agricultural sector;
7. The current process flow where applications originate from provincial departments of agriculture may not assist DALRRD in realizing its transformation imperatives;
8. When identifying and selecting projects for support through the Fund, attention should be given to those with potential to change the face of agriculture in the country;
9. The current upper ceiling of R5 Million is inadequate and may not bring about the required transformation in the sector; and
10. Applications for support through the Fund should be appraised holistically and not just focus on what the applicant is requesting.

B. Summary of issues raised by various stakeholders:

1. Inaccessibility by targeted beneficiaries owing to the Fund's stringent criteria.
2. Specific issues relating to the criteria include the requirement for own contribution in cash by qualifying applicants.
3. The need for three (3) years audited financial statements which can be costly without any guarantee that the application will be supported.
4. The requirement for off taker agreements has also been raised as a hindrance to accessing the Fund.
5. In many instances, empowering enterprises have been found to be unsustainable. Despite the programme being 90%/80% grant funding with own contribution, applicants are still expected to be credit worthy, a requirement viewed as onerous to most black South African stakeholders

No Non-achievements / underperformance has been reported

Goal 9 - Maintain and strengthen relationships with Provincial Departments to enhance synergy and enable updating of data on black dairy enterprises

Achievements

During the year under review visits to provinces were not possible due to Coronavirus but engagements were made with Eastern Cape, Free State and Gauteng provinces through webinars. Issues affecting dairy enterprises in respective provinces were discussed as farmers had reported that they were not getting services from government. Follow-up meetings may take place in 2021 to ensure that issues identified by farmers are addressed.

A representative of the Limpopo Department of Agriculture was met to discuss a potential dairy project around Thohoyandou. Unfortunately there is no dairy yet but it was understood that the potential entrepreneur would like to partner with Madzivhandila Agricultural College and Milk SA.

A visit to the Western Cape Province which was planned in December 2019 could no longer take place. The visit was cancelled because Milk SA could not be provided with contacts of the

farmers by Western Cape Department of Agriculture, which Department used Protection of Personal Information Act as an alibi.

No Non-achievements / underperformance has been reported

Income and expenditure statement

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|------------------------------------|---|
| Income and expenditure statement | ED I&Expenditure 2020 Levy 07 Feb 2020 Itemised .xlsx |
| Unnecessary spending during period | No |

Popular Report

[ED I&Expenditure 2020 Levy 07 Feb 2020 Itemised .xlsx](#)
[Lucern Esalishmen JC Seyn .pdf](#)

Additional documentation

[ED I&Expenditure 2020 Levy 07 Feb 2020 Itemised .xlsx](#)
[NAMC Approved Transformation BP 6thDec2019.pdf](#)

Statement

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| 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 |